

SECTION 7. TRAVEL TO SEEK RESIDENCE QUARTERS

5-0701. APPLICABILITY AND GENERAL POLICY.

- a. Applicability. Payment of travel and transportation expenses of the employee and spouse traveling together, or the employee or spouse traveling individually instead of travel by the other or together, for one round trip between the localities of the old and new duty stations for the purpose of seeking residence quarters, may be authorized when circumstances warrant. Separate round trips by the employee and spouse may be allowed provided the overall cost to the Government is limited to the cost of one round trip for the employee and spouse traveling together. A round trip performed by the employee for this purpose, when authorized, must be accomplished before reporting to the new official station. A round trip by the spouse, when authorized, may be accomplished at any time before relocation of the family to the new official station but not after the expiration of the maximum time for beginning allowable travel and transportation. (See 5-0107.)
- b. Criteria for Consideration.
 - (1) A trip to seek residence quarters shall be authorized only when the circumstances indicate that it is actually needed. This section shall be administered to minimize or avoid the expense involved whenever other satisfactory and more economical arrangements can be made. For example, if the employee must promptly vacate the residence at his/her old post of duty, it may be less costly to the Government and more convenient to the employee to complete arrangements for new residence quarters before the move actually takes place. A trip for the purpose of finding and arranging new residence quarters may be justified in such circumstances.
 - (2) In other situations, it may be less costly to allow the employee and his/her family to remain in temporary quarters at the new official station for a longer period than might otherwise be required, subject to the limitations of section 8, until permanent quarters are found. If temporary quarters are to be authorized, a trip for seeking permanent residence quarters may be avoided. Similarly, it may be less costly to the Government and more satisfactory to the employee for the employee's immediate family to remain in the residence at the old official station after the employee has

1-2-85

reported to the new official station and has time to select permanent quarters after he/she has had an opportunity to become more familiar with neighborhoods, local transportation facilities, schools, and the housing market. In some instances the employee may be on temporary duty at the new station for a period before the actual transfer becomes effective. Under these circumstances a special trip by the employee to the new official station for the purpose of finding quarters should not be necessary. It may also be possible to avoid or shorten the duration of a trip by providing assistance and information to the employee concerning local housing conditions and markets. These guidelines shall be observed in order to eliminate wasteful or unnecessary trips. In addition to the guidelines set out above, reimbursement for travel and transportation expenses for trips to seek permanent quarters shall not be authorized under the following circumstances;

- (a) When an employee will be assigned to Government or other prearranged residence quarters at the new official station location;
- (b) When the employee has not yet formally agreed to transfer to the new station (see 5-0103);
- (c) When either the old or new duty station or both the old and new duty stations are located outside the continental United States; and
- (d) When the map distance between the old and new stations is less than 75 miles via a usually traveled surface route.

5-0702. DURATION OF TRIP. The round trip should be allowed for a reasonable period of time considering distance between the old and new official stations, mode of transportation to be used, and the housing situation at the new official station location. In no instance shall the period of the round trip at Government expense be allowed in excess of 10 calendar days, including travel time. In authorizing or allowing a particular mode of transportation, consideration shall be given to providing minimum time en route and maximum time at the new official station locality. Accordingly, if the use of a privately owned automobile is permitted, this use is considered advantageous to the Government and the mileage allowance shall be as provided in 5-0310c. Reasonable expenses for local transportation at the location of the new official station shall be allowed. The travel authorizing official may authorize local transportation by common

carrier, local transit systems, GSA contract rental or other commercially rented automobiles, or privately owned automobiles; however, the mode of local transportation must be consistent with the mode of transportation authorized for travel to and from the new official station. If a privately owned automobile is authorized, the rate for local transportation at the location of the new official duty station shall be at rate 4, Appendix C. Under no circumstances may use of a Government-owned vehicle be authorized for the purpose of seeking residence quarters. Expenses for the use of taxis shall be limited to transportation between depots, airports, or other carrier terminals, and place of lodging.

5-0703. PROCEDURAL REQUIREMENTS.

- a. After Employee's Agreement to Transfer. A trip for finding residence quarters shall not be permitted at Government expense until an employee has agreed to the transfer and the date of the transfer has been established, and the trip shall not be authorized under circumstances where the purpose is to permit the employee to decide whether he/she will accept the transfer. If an employee accepts a transfer and, after making a trip to the new station for the purpose of finding permanent quarters or after the spouse has made such a trip, declines the transfer, he/she is subject to the provisions of 5-0103 concerning recovery of amounts reimbursed for travel.
- b. Eligibility. The provisions in this section apply only in connection with a permanent change of station. Per diem allowances for the employee and/or spouse during the round trip shall be as prescribed in section 2 of this chapter. New appointees covered under 5-0104 and employees assigned under the Government Employees Training Act (see 5 U.S.C. 4109) or their spouses shall not be allowed such round-trip travel.
- c. Authorization Prior to Trip. The trip for finding residence quarters shall not be made at Government expense unless a permanent change of station travel authorization has been issued which authorizes the round trip, indicates the mode of transportation, designates the period of time allowed for the trip, specifies the date for reporting at the new official station, and indicates that the employee has signed the required agreement. An employee shall be in a duty status during the authorized round-trip period of absence.

5-0704. ADVANCE OF FUNDS. An advance of funds may be made in connection with the allowance authorized in this section under the policies and procedures prescribed in chapter 6.

9/28/92

FA SUPPLEMENTAL PAGE

5-0802a(1)-S2. INITIAL PERIOD OF TEMPORARY QUARTERS. The allowable initial period of temporary quarters shall be reduced by the number of days the employee and/or spouse used for a trip to seek residence quarters.

This supplement will not be applied to employees in the bargaining units represented by NATCA, NAATS, and PASS-Flight Standards until negotiations on their national collective bargaining agreements are completed and the new agreements become effective.

THE FRONT OF THIS SHEET INTENTIONALLY LEFT BLANK

8/8/86

FA SUPPLEMENTAL PAGE

5-0802a(1)-S1. INITIAL PERIOD OF TEMPORARY QUARTERS.

a. Initial Period. The initial period of temporary quarters shall be for a period up to 60 consecutive days. However, any days in excess of 30 consecutive days will be subject to region/center/office/service directors approval.

b. Using the Relocation Contract. Since the FAA has a relocation services contract, additional temporary quarters beyond 60 days will not be justified on the basis that employees are unable to market their residences.

THE FRONT OF THIS SHEET INTENTIONALLY LEFT BLANK

SECTION 8. SUBSISTENCE WHILE OCCUPYING TEMPORARY QUARTERS

5-0801. POLICY. The travel authorizing official shall administer the provisions of this section reasonably and equitably so that the necessity for allowing subsistence expenses and the amount of time an employee and members of his/her immediate family use temporary quarters is justified in connection with the employee's transfer to a new official station. The administrative determination as to whether the occupancy of temporary quarters is necessary and the length of time for occupancy shall be made on an individual-case basis. As a general policy, the period for temporary quarters shall be reduced or avoided if a round trip to seek permanent residence quarters has been made or if, as a result of extended temporary duty at the new official station or other circumstances (for example, if the family does not move until some time after the employee's transfer), the employee has had adequate opportunity to complete arrangements for permanent quarters. The authorization for payments under this section shall be included in the employee's change of station travel authorization.

5-0802. CONDITIONS AND LIMITATIONS FOR ELIGIBILITY.

a. Length of Time Allowed and Location of New Official Station.

- (1) Initial Period of Temporary Quarters. An employee for whom a permanent change of station is authorized or approved shall be allowed subsistence expenses for himself/herself and for each member of his/her immediate family (defined in Appendix A) for a period of not more than 60 consecutive days when occupancy of temporary quarters is determined to be necessary and the new official station is located within the United States, its territories or possessions, the Commonwealth of Puerto Rico, and the areas and installations in the Republic of Panama made available to the United States under the Panama Canal Treaty of 1977 and related agreements (as described in section 3(a) of the Panama Canal Act of 1979), provided a written agreement as required in 5-0103 is signed in connection with the transfer. The period of consecutive days may be interrupted for the time that is allowed for travel between the old and new official stations, or for circumstances attributable to official necessity as, for example, an intervening temporary duty assignment.

FA SUPPLEMENTAL PAGE

5-0802a(2)-S1. ADDITIONAL TIME IN CERTAIN CASES. Extensions to the initial period of temporary quarters shall be approved in not more than 30-day increments with approval at the associate/assistant/regional administrator or center director level. The authority to approve extensions shall not be redelegated. The total 120-day allowable period for temporary quarters including the initial period and extensions shall be reduced by the number of days the employee used for a trip to seek residence quarters. However, associate/assistant/regional administrators and center directors may approve exceptions to the reduction in temporary quarters for time spent on a trip to seek residence quarters under circumstances in which the policy is unfair or may adversely impact the agency's mission. Requests for exception must be in writing and provide clear justification as to why an exception should be approved. The authority to approve exceptions cannot be redelegated.

This supplement will not be applied to employees in the bargaining units represented by NATCA, NAATS, and PASS-Flight Standards until negotiations on their national collective bargaining agreements are completed and the new agreements become effective.

- (2) Additional Time in Certain Cases. Subsistence expenses as provided in (1) above, may be allowed for an additional period of time not to exceed 60 consecutive days provided it is determined that there are compelling reasons for the continued occupancy of temporary quarters. The total period of time in temporary quarters shall not exceed 120 days under any circumstances. The same considerations as expressed in 5-0801 are applicable in allowing any part of the additional 60 days. Authorizations to extend the temporary quarters period and the number of days authorized shall be held to a minimum. Extensions of the temporary quarters may be authorized only in situations where there is a demonstrated need for additional time in temporary quarters due to circumstances which have occurred during the initial 60-day period of temporary quarters occupancy and which are determined to be beyond the employee's control and acceptable to the travel authorizing official. Examples of compelling reasons which could be considered as beyond the employee's control for purposes of granting this extension may include but are not limited to the following situations:
- (a) Shipment and/or delivery of household goods to the new residence is delayed due to extended transit time incident to ocean transportation, strikes, customs' clearance, hazardous weather, fires or floods, or other acts of God; etc.
 - (b) A new permanent residence cannot be occupied because of unanticipated problems (i.e., delays in settlement on new residence, short term delay in construction of a new residence, etc.).
 - (c) Inability to locate a permanent residence which is adequate for family needs because of housing conditions at the new official station.
 - (d) Sudden illness, injury or death of employee or immediate family member.

- (3) Authorizing Less than Maximum Time. The specified time limits are maximum periods, and the normal length of necessary occupancy of temporary quarters is expected to average much less. Temporary quarters should be regarded as an expedient to be used only if, or for as long as, necessary until the employee concerned can move into permanent residence quarters.
- b. Transfer to Foreign Area. When the new official station is located in a foreign area, the employee is not eligible for temporary quarters allowances under these regulations. When temporary lodgings are obtained in a foreign area, or in the United States prior to transferring to a foreign area, the employee may be eligible for an allowance under the Standardized Regulations (Government Civilians, Foreign Areas) prescribed by the Department of State.
- c. What Constitutes Temporary Quarters. Generally, the term "temporary quarters" refers to lodging obtained from private or commercial sources for the purpose of temporary occupancy after vacating the residence occupied when the transfer was authorized. However, occupancy of temporary quarters that eventually becomes the employee's permanent residence shall not prevent payment of the temporary quarters allowance if, in the authorizing official's judgment, the employee shows satisfactorily that the quarters occupied were intended initially to be only temporary. In making this determination the authorizing official should consider factors such as: the duration of the lease, movement of household effects into the quarters, type of quarters, expressions of intent, attempts to secure a permanent dwelling, and the length of time the employee occupies the quarters.
- d. Temporary Quarters Located at Other than Official Station. As a general rule the location of the temporary quarters must be within reasonable proximity of the old and/or new official station. Payment of subsistence expenses for occupancy of temporary quarters in other locations shall not be allowed unless justified by circumstances unique to the individual employee or the employee's family that are reasonably related and incident to the transfer. Payment for such expenses must be authorized or approved by the the travel authorizing official, provided the official is at a

level high enough to ensure adequate review of the circumstances involved and to determine that payment of the temporary quarters allowance is justified. Occupancy of temporary quarters shall not be approved for vacation purposes or other reasons unrelated to the transfer.

- e. Beginning of Eligibility Period. The use of temporary quarters for subsistence expense purposes under these provisions may begin as soon as the employee's transfer has been authorized, and the written agreement required in 5-0103 has been signed. In order to be eligible for the temporary quarters allowance, the period of use of such quarters for which a claim for reimbursement is made must begin not later than 30 days from the date the employee reported for duty at his/her new official station, or if not begun during this period, not later than 30 days from the date the family vacates the residence at the old official station, but not beyond the maximum time for beginning allowable travel and transportation. (See 5-0107.)
- f. Computation of Eligibility Period and Termination. When computing the length of time allowed for temporary quarters at Government expense, the time period will begin for the employee and all members of the immediate family when either the employee or any member of the immediate family begins the period of use of such quarters for which a claim for reimbursement is made. The time period shall run concurrently for the employee and all members of the immediate family. The employee may occupy temporary quarters at one location while members of the immediate family occupy quarters at another location. However, see limitations in d, above. The period of eligibility shall terminate when the employee or any member of the immediate family occupies permanent residence quarters, or when the authorized period of time expires, whichever occurs first.
- g. Effect of Partial Days.
 - (1) The following guidelines shall be used for determining the eligibility period for temporary quarters subsistence expense reimbursement and in computing maximum reimbursement when occupancy of temporary quarters for reimbursement purposes occurs the same day that en route travel per diem ends:

- (a) For en route travel of more than 24 hours, reimbursement for temporary quarters subsistence expenses shall start at the beginning of the calendar day quarter immediately following termination of the en route travel per diem. This will be considered the first full day of the entitlement period for the purpose of computing maximum reimbursement.
- (b) For en route travel of 24 hours or less, reimbursement for temporary quarters subsistence expenses shall start at the beginning of the same calendar day quarter in which en route travel per diem ends upon arrival at destination. This will be considered the first full day of the entitlement period for the purpose of computing maximum reimbursement.
- (2) In all other cases, the temporary quarters period shall start with the first quarter of the calendar day in which temporary quarters subsistence expense reimbursement is claimed, provided that temporary quarters are occupied during that calendar day.
- (3) The temporary quarters period shall terminate at midnight of the last day of eligibility.
- h. Allowance when Short Distance Transfer is Involved. An employee or members of his/her immediate family shall not be eligible for temporary quarters expenses when the distance between the new official station and old residence is not more than 40 miles greater than the distance between the old residence and the old official station, except that the expenses of temporary quarters are allowable for the period during which the employee is awaiting the arrival of his/her household goods shipped from the old to the new residence, provided that use of such quarters is begun not later than the maximum time for beginning allowable travel and transportation. All measurements shall be made according to map distance along a usually traveled route.
- i. Duplication of Other Allowances. In no case shall subsistence expenses under these provisions be allowed which duplicate, in whole or in part, payments received under other laws or regulations covering similar costs. (A cost-of-living allowance payable under 5 U.S.C. 5941 is not a duplication of subsistence expenses.)

1-2-85

5-0803. EXCLUSIONS. The provisions of this section do not apply to new appointees, including those appointees covered in 5-0104, employees assigned under the Government Employees Training Act (see 5 U.S.C. 4109), or employees returning from overseas assignments for the purpose of separation.

5-0804. ALLOWABLE AMOUNT.

a. Actual Expenses Allowed. Reimbursement shall be only for actual subsistence expenses incurred provided these are incident to occupancy of temporary quarters and are reasonable as to amount. Allowable subsistence expenses include only charges for meals (including groceries consumed during occupancy of temporary quarters), lodging, fees and tips incident to meals and lodging, laundry, and cleaning and pressing of clothing. Expenses of local transportation incurred for any purpose during occupancy of temporary quarters shall not be allowed.

b. Itemization and Receipts.

(1) Itemization. Subsistence expenses must be itemized on DOT F 1500.5, ITEMIZATION OF ACTUAL SUBSISTENCE EXPENSES (While Occupying Temporary Quarters), and along with the receipts required below, submitted with the reimbursement voucher to show the amount spent each day. Please note that the previous edition of the DOT F 1500.5 (June, 1972) may be used for itemizing expenses when the employee's effective date of transfer was prior to November 14, 1983.

(2) Receipts. Receipts are required for lodging and laundry and cleaning expenses (except when coin-operated facilities are used). Other subsistence expenses may be paid without receipts when approved as reasonable. Lodging receipts will generally be acceptable only when issued by individuals (or organizations) who operate a bona fide business which provides lodgings. In unusual cases when friends, relatives and similar private persons who are not in the lodging business charge for lodgings, such charges may be reimbursed, provided receipts are submitted and the charges are approved as being reasonable. Expenses are not considered reasonable when the friend or relative is paid the same amount that the employee would pay in a motel or restaurant, or the amount paid is based upon the maximum amount reimbursable under the regulations.

SUPPLEMENT**DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION**1500.14A FA SUP 14
(DOT 1500.6A)

2/8/94

SUBJ: TRAVEL MANUAL

1. PURPOSE. This supplement provides for reduced per diem for long-term training which exceeds 15 class days at the FAA Academy and allows an employee attending a course or consecutive courses of more than 30 actual class days to one round trip to his or her home station during that period.
2. DISTRIBUTION. This supplement is distributed to the branch level and above in Washington headquarters and regions; to the section level and above at the centers; the Associate Administrator for the Aeronautical Center; and to resident directors. A limited distribution is made to all field offices and facilities; and copies are furnished to addressees on the ZAA-388 special distribution list.
3. FILING INSTRUCTIONS. After filing this supplement, the transmittal should be retained.

PAGE CONTROL CHART			
Remove Pages	Dated	Insert Pages	Dated
		(4-28-S1 (and 4-28-S2) (following DOT 1500.6A pages 4-28)	2/8/94

E. M. Keeling
E. M. Keeling
Director of Accounting

FA SUPPLEMENTAL PAGE

4-0506a-S1. Subsistence Payments for Extended Training Assignments at the FAA Academy. Per diem shall be reduced for long-term training courses that are more than 15 class days.

4-0506a-S2. Round Trip Home or to the Permanent Duty Station for Employees on Extended Technical Training Assignments. Where it has been determined that an employee's efficiency and productivity will be enhanced if permitted to return to his/her home or permanent duty station during extended FAA Academy or out-of-agency technical training, a round trip(s) shall be authorized.

a. To qualify, the course or consecutive courses must total more than thirty (30) class days. One round trip shall be authorized in the same fashion for each additional 30 day class days of the same training assignment. The computation of class days shall include holidays.

b. The travel must be accomplished during the employee's regularly scheduled non-duty time and shall not be taken in conjunction with annual leave or sick leave.

SUPPLEMENT

DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION

1500.14A
FA SUP 15

AFZ-1

copies:1

8/16/94

SUBJ: TRAVEL MANUAL

1. PURPOSE. This transmits Supplement 15 to FAA Order 1500.14A (Order DOT 1500.6A), Travel Manual.
2. DISTRIBUTION. This supplement is distributed to the branch level and above in FAA headquarters and regions; to the section level and above at the FAA Technical Center and the Aeronautical Center; and to resident directors. A limited distribution is made to field offices and facilities; and copies are furnished to addressees on the ZAA-#388 distribution list.
3. EXPLANATION. This supplement clarifies the guidelines in determining the reasonableness of expenditures for meals and incidental expenses claimed by employees. Further, it provides specific guidelines for determining the reasonableness of these expenditures in nonforeign areas, i.e., separate areas of the United States located outside of the continental United States.
4. FILING INSTRUCTIONS. Insert Supplement 15 pages. Also, retain Supplement 6, dated March 29, 1990, to paragraph 5-0804a, of FAA Order 1500.14A, Travel Manual, until negotiations with the cited bargaining units are complete. An additional supplement to specifically remove Supplement 6 will be issued after Supplement 15 is implemented for the cited bargaining units.

FA SUPPLEMENTAL PAGE

5-0804a-S1. ACTUAL EXPENSES ALLOWED. Reimbursement SHALL ONLY be claimed for reasonable amounts ACTUALLY expended for meals and incidental expenses as defined in this Order. All employees and their family members shall be prudent in incurring these expenses. The 46 percent rate for meals and incidental expenses as defined below is NOT an entitlement. Receipts are not generally required for claims meeting the 46 percent guideline. Claims exceeding the 46 percent will require receipts for the total amount of expenses incurred during the total period of temporary quarters.

a. Definitions.

(1) Continental United States (CONUS). As defined in the Federal Travel Regulation (FTR), continental United States (or CONUS) means the 48 contiguous States and the District of Columbia.

(2) Nonforeign Areas. As defined in the FTR, nonforeign areas are separate areas of the United States located outside the continental United States, i.e., Alaska, Hawaii, the Commonwealth of Puerto Rico or the Commonwealth of the Northern Mariana Islands, or a United States territory or possession.

b. Permanent Change-of-Station Transfers Within the Continental United States (CONUS).

Daily expenses incurred for meals and incidental expenses will generally be considered reasonable without receipts when they do not exceed 46 percent of the maximum daily subsistence allowance (Standard CONUS per diem rate). Employees exceeding this guideline must submit receipts for the total amount with claims for meals and incidental expenses incurred during the total period of temporary quarters.

c. Permanent Change-of-Station Transfers to Nonforeign Areas.

Daily expenses incurred for meals and incidental expenses at nonforeign localities will generally be considered reasonable without receipts when they do not exceed 46 percent of the standard CONUS per diem rate plus the cost of living allowance (COLA) for the nonforeign locality in which temporary quarters are occupied. Employees exceeding this guideline must submit receipts for the total amount with claims for meals and incidental expenses incurred

FA SUPPLEMENTAL PAGE

5-0804a-S1. ACTUAL EXPENSES ALLOWED. Reimbursement SHALL ONLY be claimed for reasonable amounts ACTUALLY expended for meals and incidental expenses as defined in this Order. All employees and their family members shall be prudent in incurring these expenses. The 46 percent rate for meals and incidental expenses as defined below is NOT an entitlement. Receipts are not generally required for claims meeting the 46 percent guideline. Claims over 46 percent will require receipts.

a. Definitions.

(1) Continental United States (CONUS). As defined in the Federal Travel Regulation (FTR), continental United States (or CONUS) means the 48 contiguous States and the District of Columbia.

(2) Nonforeign Areas. As defined in the FTR, nonforeign areas are separate areas of the United States located outside the continental United States, i.e., Alaska, Hawaii, the Commonwealth of Puerto Rico or the Commonwealth of the Northern Mariana Islands, or a United States territory or possession.

b. Permanent Change-of-Station Transfers Within the Continental United States (CONUS).

Daily expenses incurred for meals and incidental expenses will generally be considered reasonable without receipts when they do not exceed 46 percent of the maximum daily subsistence allowance (Standard CONUS per diem rate). Employees must submit receipts with claims for meals and incidental expenses that exceed this guideline.

c. Permanent Change-of-Station Transfers to Nonforeign Areas.

Daily expenses incurred for meals and incidental expenses at nonforeign localities will generally be considered reasonable without receipts when they do not exceed 46 percent of the standard CONUS per diem rate plus the cost of living allowance (COLA) for the nonforeign locality in which temporary quarters are occupied. Employees must submit receipts with claims for meals and incidental expenses that exceed this guideline. For example, the reasonable daily amount for meals and incidental expenses in a location where the COLA is 10 percent is computed as follows:

1/25/95

during the total period of temporary quarters. For example, the reasonable daily amount for meals and incidental expenses in a location where the COLA is 10 percent is computed as follows:

SAMPLE COMPUTATION FOR AN EMPLOYEE AND SPOUSE

\$66.00 (CONUS Rate) + \$6.60 (\$66 X 10 percent (COLA)) = \$72.60

Computation for first 30 days:

Employee	\$72.60
Spouse \$72.60 X 2/3	<u>\$48.40</u>
Total daily amount for family	\$121.00
Limitation of 46 percent	<u>X .46</u>
Daily amount considered reasonable	<u>\$55.66</u>

Additional 90 days if required
(in 30-day increments):

Daily amount for first 30 days	\$55.66
75 percent of first 30 days (Note)	<u>X .75</u>
Daily amount considered reasonable	<u>\$41.75</u>

Note: Temporary quarters beyond the first 30 days is limited to 75 percent of the amount for the first 30 days per the FTR paragraph 302-5.4(c) (3) (4).

d. Responsibilities.

(1) Travel Authorizing or Approving officials. A travel authorizing or approving official has the responsibility to authorize or approve only those allowances that are justified by the circumstances affecting the travel and are allowable as defined in this Order. A travel authorizing or approving official shall counsel the relocating employee on the availability of known local lodging and eating facilities providing economical services to ensure that the relocating employee exercises prudent judgment when incurring permanent change-of-station expenses, including temporary quarters expenses. Authorizing or approving officials are to be accountable for counseling employees to ensure that they fully understand the rules and guidelines related to incurring expenses while occupying temporary quarters.

8/16/94

1500.14A FA SUP 15
(DOT 1500.6A)

(2) Employee Responsibility. An employee on official travel shall exercise the same care in incurring expenses that a prudent person would exercise if expending personal funds. Excess cost for meals, luxury accommodations, and unnecessary services is not acceptable under this standard. The employee shall be responsible for excess costs and any additional expenses incurred for personal convenience or preference.

This supplement will not be applied to employees in the bargaining units represented by NATCA, NAATS, PASS, and PASS-Flight Standards until negotiations on this supplement are completed.

Until negotiations with the above bargaining units are complete, the existing Supplement 6 dated March 29, 1990, to paragraph 5-0804a, of FAA Order 1500.14A, Travel Manual, remains in effect for the bargaining units.

1/25/95

1500.14A FA SUP 16
(DOT 1500.6A)

(2) Employee Responsibility. An employee on official travel shall exercise the same care in incurring expenses that a prudent person would exercise if expending personal funds. Excess cost for meals, luxury accommodations, and unnecessary services is not acceptable under this standard. The employee shall be responsible for excess costs and any additional expenses incurred for personal convenience or preference.

Reasonableness depends on the circumstances of each case, such as the number of individuals involved, extra work performed, and need to hire extra help. The employee will be required to furnish sufficient information to permit a reasonableness determination to be made. Expenses based on an estimate of average rate per day are not acceptable. (See 52 Comp. Gen. 78.)

- c. Maximum Reimbursement. The amount which may be reimbursed for temporary quarters subsistence expenses shall be the actual amount of allowable expenses incurred for each 30-day period not to exceed a maximum amount based on the applicable daily rate prescribed under (2) through (4) below, multiplied by 30. The daily actual subsistence expenses required to be itemized under a and b, above, will be totaled for each 30-day period to permit a comparison with the maximum allowable amount for the particular period. If less than a 30-day period is authorized, or used, the maximum allowable amount will be based on the number of days authorized, or used, multiplied by the applicable daily rate.
- (1) Applicable Maximum Per Diem Rates. The maximum per diem rate to be used for computations under (2) through (4), below, shall be the maximum per diem rate prescribed for the locality in which the temporary quarters are located, as follows:
- (a) For temporary quarters located in the continental United States, the applicable maximum per diem rate is \$50.
 - (b) For temporary quarters in applicable locations outside the continental United States, the maximum per diem rate is the rate prescribed for the locality.
- (2) For the First 30 Days. Reimbursement for the first 30 days will be limited as follows:
- (a) For the employee, or for the unaccompanied spouse (i.e., the spouse necessarily occupies temporary quarters in a location separate from the employee), the daily rate shall not exceed the maximum per diem rate prescribed in (1).

- (b) For the spouse when accompanied by the employee, the daily rate shall not exceed two-thirds of the employee's daily rate established in (a).
 - (c) For each other member of the employee's immediate family who is 12 years of age or older, the daily rate shall not exceed two-thirds of the daily rate established in (a) for the employee or the unaccompanied spouse, as appropriate.
 - (d) For each member of the employee's immediate family who is under 12 years of age, the daily rate shall not exceed one-half of the daily rate established in (a) for the employee or the unaccompanied spouse, as appropriate.
 - (e) If the temporary quarters occupied are in the continental United States, the maximum daily rates prescribed under (a), (b), (c), and (d) are \$50, \$33.33, \$33.33, and \$25, respectively.
- (3) For the Second 30 Days. The daily rates for the second 30-day period for the employee and each member of the immediate family shall be three-fourths of the daily rates prescribed under (2). For example, if the temporary quarters occupied are located in the continental United States the following limitations will apply:
- (a) For an employee, or unaccompanied spouse, the daily rate shall not exceed \$37.50;
 - (b) For an accompanying spouse, the daily rate shall not exceed \$25;
 - (c) For each other family member 12 years of age or older, the daily rate shall not exceed \$25; and
 - (d) For each family member under 12 years of age, the daily rate shall not exceed \$18.75.
- (4) For an Additional 60 Days. When the employee is authorized an extension of time for occupancy of temporary quarters beyond the first 60 days (not to exceed an additional 60 days) due to compelling reasons as provided in 5-0802a(2), the additional days shall be computed at the same rates allowed for the second 30-day period in (3) for the employee and each member of the immediate family.

- 5-0805. ADVANCE OF FUNDS. An advance of funds may be made in 30-day increments in connection with subsistence expenses covered by this section under policies and procedures prescribed in chapter 6. The initial advance of funds for temporary quarters subsistence expenses shall not exceed the maximum amount allowable under 5-0804c(2) for the first 30-day period (or other authorized period if less than 30 days). Thereafter, funds may be advanced for subsequent 30-day periods. Authorizing officials should advise employees that when an advance of funds is needed for the second and subsequently authorized 30-day periods, the request for advance should be submitted in sufficient time to allow for processing, approval, and issuance of the advance of funds.

SECTION 9. ALLOWANCE FOR EXPENSES INCURRED IN
CONNECTION WITH RESIDENCE TRANSACTIONS

- 5-0901. CONDITIONS AND REQUIREMENTS UNDER WHICH ALLOWANCES ARE PAYABLE. To the extent allowable under this section, the Government shall reimburse an employee for expenses required to be paid by him/her in connection with the sale of one residence at his/her old official station, for purchase (including construction) of one dwelling at his/her new official station, or for the settlement of an unexpired lease involving his/her residence or a lot on which a mobile home used as his/her residence was located at the old official station; provided that:
- a. Transfers Covered - Agreement Required. A permanent change of station is authorized or approved and the old and new official stations are located within the 50 States, the District of Columbia, the territories and possessions of the United States, the Commonwealth of Puerto Rico, or the areas and installations in the Republic of Panama made available to the United States under the Panama Canal Treaty of 1977 and related agreements (as described in Section 3(a) of the Panama Canal Act of 1979), and the employee has signed an agreement as required in 5-0103. (See exclusions in 5-0904.)
 - b. Location and Type of Residence. The residence or dwelling is situated as described in Appendix A under "Official Station or Post of Duty" which may be a mobile home and/or the lot on which such mobile home is located or will be located.
 - c. Title Requirements. Eligibility for expenses of selling or purchasing a residence is predicated on the passing of title between the purchaser and the seller. The title to the residence or dwelling at the old or new official station, or the interest in a cooperatively owned dwelling or in an unexpired lease, is in the name of the employee alone, or in the joint names of the employee and one or more members of his/her immediate family, or solely in the name of one or more members of his/her immediate family. For an employee to be eligible for reimbursement of the costs of selling a dwelling or terminating a lease at the old official station, the employee's interest in the property must have been acquired prior to the date the employee was first definitely informed of his/her transfer to the new official station.

1-2-85

- d. Occupancy Requirements. The dwelling for which reimbursement of selling expenses is claimed was the employee's residence at the time he/she was first definitely informed by competent authority of his/her transfer to the new official station.
- e. Time Limitation.
- (1) Initial Period. The settlement dates for the sale and purchase or lease termination transactions for which reimbursement is requested are not later than two years after the date that the employee reported for duty at the new official station.
- (2) Extension of Time Limitation.
- (a) Upon an employee's written request, the two-year time limitation for completion of the sale and purchase transactions or lease termination may be extended by the travel authorizing official for an additional period of time not to exceed one year.
- (b) The employee's written request should be submitted to the travel authorizing official as soon as the employee becomes aware of the need for an extension but before expiration of the two-year limitation; however, in no case shall the request be submitted later than 30 calendar days after the expiration date unless this 30-day period is specifically extended by the authorizing official.
- (c) Approval of this additional period of time shall be based on a determination that extenuating circumstances, acceptable to the authorizing official concerned, have prevented the employee from completing the sale and purchase or lease termination in the initial time frame and that the residence transactions are reasonably related to the transfer of official station. A copy of the request and approval will be attached to and made part of the reimbursement voucher.
- (3) Applicability. In addition to being applicable to those employees transferred on or after October 1, 1982, the provisions for extension-of-the-time limitation shall also be applicable to employees whose time limitation will not have expired prior to August 23, 1982; provided that when such an

extension is approved, relocation entitlements and allowances shall be determined by using the entitlements and allowances prescribed by regulations in effect on the employee's effective date of transfer and not entitlements and allowances in effect at the time the extension of the time limitation is approved.

- f. Payment of Expenses by Employee - Pro Rata Entitlement. The expenses for which reimbursement is claimed are to be paid by the employee. If any expenses were shared by persons other than the employee, reimbursement is limited to the portion actually paid by the employee. If the residence is a duplex or another type of multiple occupancy dwelling which is occupied only partially by the employee, or whenever the employee shares responsibility for a leased property (such as a shared apartment arrangement), expenses shall be reimbursed on a pro rata basis. The employee shall also be limited to pro rata reimbursement when he/she sells or purchases land in excess of that which reasonably relates to the residence site.

5-0902. REIMBURSABLE AND NONREIMBURSABLE EXPENSES.

- a. Broker's Fees and Real Estate Commissions. A broker's fee or real estate commission paid by the employee for services in selling the residence is reimbursable but not in excess of rates generally charged for such services by the broker or by brokers in the locality of the old official station. No such fee or commission is reimbursable in connection with the purchase of a home at the new official station.
- b. Other Advertising, Selling, and Appraisal Expenses. Costs of multiple-listing services and newspaper, bulletin board, and other advertising of the residence at the old official station are reimbursable if the employee has not paid for such services in the form of a broker's fee or real estate agent's commission. The customary cost of an appraisal also may be reimbursed.
- c. Legal and Related Expenses. To the extent such costs have not been included in brokers' or similar agents' services for which reimbursement is claimed under other categories, the following expenses are reimbursable with respect to the sale and purchase of residences if they are customarily paid by the seller at the old official station or if customarily paid by the purchaser at the new official station, to the extent they do not exceed amounts customarily charged in the locality of the residences: costs of searching title, preparing abstract,

and legal fees for a title opinion, or where customarily furnished by the seller, the cost of a title insurance policy; costs of preparing conveyances, other instruments, and contracts and related notary fees and recording fees; costs of making surveys, preparing drawings or plats when required for legal or financing purposes; and similar expenses. Costs of litigation are not reimbursable.

d. Miscellaneous Expenses.

- (1) Reimbursable Items. The expenses listed below are reimbursable in connection with the sale and/or purchase of a residence, provided they are customarily paid by the seller of a residence in the locality of the old official station or by the purchaser of a residence at the new official station to the extent they do not exceed amounts customarily paid in the locality of the residence.
 - (a) FHA or VA fee for the loan application;
 - (b) Loan origination fee;
 - (c) Cost of preparing credit reports;
 - (d) Mortgage and transfer taxes;
 - (e) State revenue stamps;
 - (f) Other fees and charges similar in nature to those listed above, unless specifically prohibited in (2), below;
 - (g) Charge for prepayment of a mortgage or other security instrument in connection with the sale of a residence at the old official station to the extent the terms in the mortgage or other security instrument provide for this charge. This prepayment penalty is also reimbursable when the mortgage or other security instrument does not specifically provide for prepayment, provided this penalty is customarily charged by the lender, but in that case the reimbursement may not exceed three months' interest on the loan balance;

- (h) Mortgage title insurance policy paid for by the employee, on a residence purchased by the employee, for the protection of, and required by, the lender;
 - (i) Owner's title insurance policy, provided it is a prerequisite to financing or transferring the property; or the cost of the owner's title insurance policy when such cost is inseparable from the cost of other insurance which is a prerequisite to the financing on or the transferring of the property; and
 - (j) Expenses in connection with construction of a residence which are comparable to expenses that are reimbursable in connection with the purchase of an existing residence.
- (2) Nonreimbursable Items. Except as otherwise provided in (1), above, the following items of expense are not reimbursable:
- (a) Owner's title insurance policy, "record title" insurance policy, mortgage insurance, property loss or damage insurance, and optional insurance in connection with the purchase of a residence paid for by the employee for the protection of the employee;
 - (b) Points, mortgage discounts and other interest on loans;
 - (c) Property taxes;
 - (d) Operating or maintenance costs;
 - (e) Fees, costs, charges, or expenses determined to be part of the finance charge under the Truth in Lending Act, Title I, Pub. L. 90-321, and Regulation Z issued in accordance with Pub. L. 90-321 by the Board of Governors of the Federal Reserve System, unless specifically authorized in (1), above; and
 - (f) Expenses that result from construction of a residence.

- e. Losses Due to Prices or Market Conditions at the Old and New Posts of Duty. Losses due to failure to sell a residence at the old official station at the price asked, (or at its current appraised value) or due to failure to buy a dwelling at the new official station at a price comparable to the selling price of the residence at the old official station, and any similar losses, are not reimbursable.
- f. Other Expenses of Sale and Purchase of Residences. Incidental charges made for required services in selling and purchasing residences may be reimbursable if they are customarily paid by the seller of a residence at the old official station or if customarily paid by the purchaser of a residence at the new official station, to the extent they do not exceed amounts customarily charged in the locality of the residence.
- g. Overall Limitations. The total amounts that may be reimbursed are as follows:
 - (1) In connection with the sale of the residence at the old official station, reimbursement shall not exceed ten percent of the actual sale price or \$15,525, whichever is the lesser amount.
 - (2) In connection with the purchase of a residence at the new official station, reimbursement shall not exceed five percent of the purchase price or \$7,763, whichever is the lesser amount.
 - (3) Effective October 1 of each year, beginning October 1, 1984, the respective maximum dollar amount applicable under (1) and (2) above shall be increased by the percent change, if any, in the Consumer Price Index published for December of the preceding year over that published for December of the second preceding year, adjusted to the nearest one-tenth of one percent.
- h. Settlement of an Unexpired Lease. Expenses incurred for settling an unexpired lease (including month-to-month rental) on residence quarters occupied by the employee at the old official station may include broker's fees for obtaining a sublease or charges for advertising an unexpired lease. Such expenses are reimbursable when (1) applicable laws or the terms of the lease provide for payment of settlement expenses, (2) such expenses cannot be avoided by sublease or other arrangement, (3) the employee has not contributed to the expense by failing to give appropriate lease termination notice promptly after he/she has definite knowledge of the transfer, and

(4) the broker's fees or advertising charges are not in excess of those customarily charged for comparable services in that locality. Itemization of these expenses is required and the total amount shall be entered on Form DOT F 1500.6, see 5-0903a. Each item must be supported by documentation showing that the expense was in fact incurred and paid by the employee.

5-0903. PROCEDURAL AND CONTROL REQUIREMENTS.

- a. Application for Reimbursement and Documentation of Expenses. Form DOT F 1500.6, Claim and Voucher for Reimbursement of Expenses Incurred in the Sale and/or Purchase of a Residence - Permanent Change of Station, shall be used for claiming reimbursement for expenses of real estate transactions. Amounts claimed must be supported by documentation showing that the expense was in fact incurred and paid by the employee. Included in the required supporting documents (as appropriate) are copies of (1) the sales agreement, (2) the purchase agreement, (3) property settlement documents, (4) loan closing statements, and (5) invoices or receipts for other bills paid. Reimbursement may be in two parts; i.e., a payment for expenses incurred in the sale of the former residence and a payment for expenses incurred in the purchase of a new dwelling.
- b. Review and Administrative Approval of Sale and Purchase Expenses. All claims for reimbursement of real estate transactions will be processed through the administrative reviewing official to the applicable accounting office. Because of the technical nature of real estate transactions, an employee of the accounting office familiar with real estate and unexpired lease transactions will examine the claim for (1) reasonableness of charges, (2) items authorized for reimbursement, and (3) whether the expenses are customarily paid by the seller or buyer in the locality where the property is located. In the case of a transfer between agencies, a review and approval of the application shall be made, if appropriate, at an installation of the Department in the locality of the employee's old official station, but if the Department has no appropriate installation, it may be sent to the losing agency (the old official station) for review and approval of the applicable Section of Part III, Form DOT F 1500.6. This review and approval process is intended to be limited to determining whether the expenses claimed are reasonable in amount and customarily paid by the seller in the locality where the property is located. If the items of cost appear to have been inflated or are higher than normally imposed

1-2-85

for similar services in the locality, any portion of such costs determined to be excessive shall be disallowed. When approved, the application shall be returned with such memorandum of explanation as may be appropriate. A similar review and approval are required in connection with an application for reimbursement of the expenses of the purchase of a new dwelling. Final administrative approval of payment of the claim must be executed by an appropriate approving official. The official may accept the required prior approvals covering reasonableness and custom; he/she shall, however, independently determine whether (1) the aggregate amount of expenses claimed in connection with a sale or purchase of a residence is within the prescribed limitation for either, (2) all conditions and requirements under which allowances may be paid have been met, and (3) the expenses themselves are those which are reimbursable. The employee's claim must be accompanied by the application and supporting documents.

- c. Assistance Provided by Local Offices of the Department of Housing and Urban Development. Technical assistance in determining the reasonableness of an expense may be obtained from the local or area office of the Department of Housing and Urban Development (HUD) serving the area in which the expense occurred. The local office maintains, and can furnish upon request, a current FHA Form 2496, Schedule of Closing Costs, applicable to the area. This is a schedule of closing costs typically encountered in connection with the purchase and sale of single family properties in the locality. For the purpose of determining whether the expenses claimed are reasonable and may be approved for reimbursement, these closing costs should be used as guidelines and not as rigid limitations. The local office will also furnish, upon request, information concerning local custom and practices with respect to charging of closing costs related to either a sale or purchase, including information as to whether such costs are customarily paid by the seller or purchaser and the local terminology used to describe them. Area or insuring offices of HUD are located in all major cities. The mailing addresses for these offices are included in the U.S. Government Organization Manual, published annually by the Office of Federal Register, National Archives and Records Service, General Services Administration. A directory containing the addresses of all such offices (HUD Form 788) is available at any HUD office.

- d. Violation of Employment Agreement. In the event the employee violates the terms of the agreement, no expenses will be paid, and any amounts paid prior to such violation shall be a debt due the United States until they are paid by the employee.
- 5-0904. EXCLUSIONS. The provisions of this section do not apply to new appointees, including those covered under 5-0104, or employees assigned under the Government Employees Training Act (5 U.S.C. 4109).
- 5-0905. ADVANCE OF FUNDS. No advance of funds is authorized in connection with the allowances provided for expenses incurred in connection with residence transactions.

SECTION 10. ALLOWANCE FOR MISCELLANEOUS EXPENSES

5-1001. APPLICABILITY.

- a. Purpose for Allowance. The miscellaneous expenses allowance is for the purpose of defraying various contingent costs associated with discontinuing residence at one location and establishing residence at a new location in connection with an authorized change of station.
- b. Types of Costs Covered. The allowance is related to expenses that are common to living quarters, furnishings, household appliances, and to other general types of costs inherent in relocation of a place of residence. The types of costs intended to be reimbursed under the allowance include but are not limited to the following:
 - (1) Fees for disconnecting and connecting appliances, equipment, and utilities (including telephone service) involved in relocation and costs of converting appliances for operation on available utilities;
 - (2) Fees for unblocking and blocking and related expenses in connection with relocating a mobile home, but not the transportation expenses allowed under section 5;
 - (3) Fees for cutting and fitting rugs, draperies, and curtains moved from one residence quarters to another;
 - (4) Utility fees or deposits that are not offset by eventual refunds;
 - (5) Forfeiture losses on medical, dental, and food locker contracts that are not transferable and similar losses on contracts for private institutional care (such as that provided for handicapped or invalid dependents only) which are not transferable or refundable; and
 - (6) Costs of automobile registration, driver's license, and use taxes imposed when bringing automobiles into certain jurisdictions.

c. Types of Costs Not Covered. This allowance shall not be used to reimburse the employee for costs or expenses incurred which exceed maximums provided by statute or these regulations; costs or expenses that the employee incurred but which are disallowed elsewhere in these regulations; costs reimbursed under other provisions of law or regulations; costs or expenses incurred for reasons of personal taste or preference and are not required because of the move; losses covered by insurance; fines or other penalties imposed upon the employee or members of his/her immediate family; judgments, court costs, and similar expenses growing out of civil actions; or any other expenses brought about by circumstances, factors, or actions in which the move to a new duty station was not the proximate cause. Examples of these types of costs which are not reimbursable from this allowance are as follows:

- (1) Losses in selling or buying real and personal property and cost items related to such transactions;
- (2) Costs which are reimbursed under other provisions of these regulations or under any other regulations or statute;
- (3) Cost of additional insurance on household goods while in transit or cost of loss or damage to such property;
- (4) Additional costs of moving household goods caused by exceeding the maximum weight limitation for which the employee has eligibility as provided by law or these regulations;
- (5) Costs of newly acquired items, such as the purchase or installation cost of new rugs or draperies;
- (6) Higher income, real estate, sales, or other taxes as the result of establishing residence in the new locality;
- (7) Fines imposed for traffic infractions while en route to the new official station locality;
- (8) Accident insurance premiums or liability costs incurred in connection with travel to the new official station locality, or any other liability imposed upon the employee for uninsured damages caused by accidents for which he/she or a member of his/her immediate family is held responsible;

- (9) Losses as the result of the sale or disposal of items of personal property not considered convenient or practicable to move;
- (10) Damage or loss of clothing, luggage, or other personal effects while traveling to the new official station locality;
- (11) Subsistence, transportation, or mileage expenses in excess of the amounts reimbursed as per diem or other allowances under these regulations;
- (12) Medical expenses due to illness or injuries of the employee or members of the immediate family while en route to the new official station or while living in temporary quarters at Government expense; or
- (13) Costs incurred in connection with structural alterations (i.e; remodeling or modernizing) of living quarters or garages or other buildings to accommodate privately owned automobiles, appliances or equipment; or the cost of replacing or repairing worn-out or defective appliances or equipment shipped to the new location. However, drilling of holes in a wall is not "structural alterations" when it is necessary for connection and proper functioning of appliances (60 Comp. Gen. 285).

5-1002. ELIGIBILITY.

- a. Coverage. A miscellaneous expense allowance will be payable to an employee for whom a permanent change of station is authorized or approved and who has discontinued and established a residence in connection with such change regardless of where the old or new official station is located; provided that the applicable eligibility conditions are met and the agreement required is signed.
- b. Mandatory Applicability. A miscellaneous expense allowance is mandatory if a transfer has been authorized or approved for an eligible employee; therefore, the absence of any specific authorization of a miscellaneous expense allowance is not material (Comp. Gen. decisions B-168754, February 26, 1970, and B-162691, November 3, 1967).

- c. Exclusions. The provisions of this section do not apply for new appointees, including those covered under 5-0104, employees assigned under the Government Employees Training Act (see 5 U.S.C. 4109), or employees returning from overseas assignments for the purpose of separation.

5-1003. ALLOWABLE AMOUNT. Employees eligible for a miscellaneous expense allowance shall be paid an amount under subparagraph a, or reimbursed an amount under subparagraph b, but not both as follows:

- a. Allowances in the following amounts will be paid without support or other documentation of expenses:
- (1) \$350 or the equivalent of one week's basic pay, whichever is the lesser amount, for an employee without immediate family or whose immediate family does not relocate in connection with the employee's transfer; and
 - (2) \$700 or the equivalent of two weeks' basic pay, whichever is the lesser amount, for an employee with immediate family.
- b. Allowances in excess of those provided in subparagraph a may be authorized or approved, if supported by acceptable statements of fact and either paid bills or other acceptable evidence justifying the amounts claimed; provided that the aggregate amount does not exceed the employee's basic pay at the time the employee reported for duty, for one week if the employee is without an immediate family or for two weeks if the employee has an immediate family. In no instance will the amount exceed the maximum rate of grade GS-13 provided in 5 U.S.C. 5332 at the time the employee reported for duty. The entire amount claimed under this paragraph (including the amount otherwise payable without such documentation under subparagraph a) must be supported as required above.

5-1004. ADVANCE OF FUNDS. No advance of funds is authorized in connection with the allowance provided in this section.

SECTION 11. RELOCATION SERVICES PROGRAM

- 5-1101. PURPOSE. This section establishes policies and procedures for use of the Departmental relocation services contract which provides real estate assistance to employees incident to transfers to new duty stations.
- 5-1102. BACKGROUND.
- a. Public Law 98-151, Relocation Assistance Act (5 U.S.C. 5724c), authorizes agencies to enter into contracts with private firms to provide relocation services to eligible employees who reported to their new duty stations on or after November 14, 1983. The General Services Administration (GSA) has provided guidelines for the use of these third party relocation services companies.
- Ab* The primary purpose of the legislation and the GSA guidelines is to enable agencies to establish safety nets for their employees who are unable to sell their homes upon transferring to new duty stations. This safety net in agency programs is the "homesale" feature which enables employees to sell their homes to third party relocation firms. Agency programs are not intended to ensure that relocating employees will never lose money in connection with residence transactions.
- 5-1103. GENERAL POLICY. The Department's Relocation Services Program is intended to significantly improve the benefits for employees who are directed to relocate and to thereby facilitate recruitment and retention of well-qualified personnel. The Program offers eligible transferred employees the opportunity to sell their homes to a third-party relocation company. The contract also affords access to other elective relocation services including marketing and home finding assistance.
- 5-1104. RELOCATION SERVICES COORDINATORS. The principal Departmental operational contact and liaison for the relocation services contract is the technical officer located in the Travel and Relocation Systems Division, AAA-300, of the Federal Aviation Administration. Each Operating Administration and the Office of the Secretary will appoint a primary and alternate relocation services coordinator (RSC) to act as liaisons between the technical officer, the contractor, and employees (see paragraph 5-1110a). The RSC is to counsel employees and resolve problems involving contractor service. In addition, regional and district RSC's should be designated to service field activities where justified by the volume of employee transfers.

- 5-1105. EMPLOYEE RELOCATION GUIDE. An Employee Relocation Services Guide has been prepared by the contractor for distribution to prospective employee participants in the Relocation Services Program. The Guide is an essential part of the Program which provides information on services available and procedures to be followed by employees to obtain them.
- 5-1106. DESCRIPTION OF RELOCATION SERVICES. The Program provides relocation assistance to help employees plan and complete their moves to their new duty stations. Under the contract, the following services are offered:
- a. Homesale Service. The contractor makes an offer to purchase the employee's home at current market value based on the average of two independent appraisals, or at a higher "amended value" or "assigned sale" offer (see paragraph 5-1107) obtained independently by the employee. When the employee accepts the contractor's offer and vacates the home, responsibility for resale of the home and all the costs associated with its resale and maintenance are assumed by the contractor. The Government pays the contractor a fee for this homesale service, and employees receive their full equity from the sale.
 - (1) Eligible Properties. To be eligible, properties must be livable, saleable, insurable, and must qualify for financing.
 - (2) Ineligible Properties. Properties under construction, boats, mobile homes, cooperatives, and properties not considered saleable by the contractor in their as-is condition are not eligible for the guaranteed homesale service. Other ineligible properties include homes contaminated by a toxic substance such as urea foam formaldehyde insulation and excessive radon gas as specified in the relocation services contract.
 - b. Marketing Assistance. This assistance is available only to employees using the homesale service. The contractor advises employees on strategies to market their homes. Using marketing assistance with the homesale service may help to generate a higher net offer from the contractor.
 - c. Homefinding Assistance for Buyers. When employees plan to purchase homes at the new duty stations, the contractor provides information on new communities, brokers' recommendations, homefinding trips scheduling, and planning throughout the homefinding process.

- d. Homefinding for Renters. For employees planning to rent at the new location, the contractor provides advance information about local rental housing and rental practices and recommends rental agencies for assistance.
- e. Mortgage Counseling/Finding. The contractor assists employees in determining the approximate mortgage amount for which they may qualify, pre-qualifies the employee's request, and provides general counseling and information on national or local mortgage financing alternatives.
- f. Pre-Transfer Counseling. Employees may contact the contractor prior to accepting a new position or prior to their transfer to receive information on the Department's Relocation Services Program and real estate conditions at the old and new locations. This counseling also covers listing, marketing and buying homes, and information on the appraisal process.

5-1107. AMENDED VALUE OFFERS AND ASSIGNED SALES. The contractor's guaranteed offer under the homesale provision of the contract may not provide the highest market price for the home. Consequently, an employee should market the home independently in an attempt to obtain a higher net offer. If a higher bona fide offer from a qualified buyer is obtained after the contractor has presented the guaranteed offer, the contractor may change its offer to reflect the higher amount. Employees are cautioned to fully discuss these processes with both their RSC's and the contractor to ensure that eligibility conditions are clearly understood.

- a. Amended Value Transactions. These involve the following considerations:
 - (1) An exclusion clause must be included in the listing agreement the employee signs with the real estate broker to exempt the employee from any obligation to the broker if the employee sells the residence to the contractor.
 - (2) The employee must not accept a down payment or earnest money deposit from the potential buyer.
 - (3) The employee must not sign an offer presented by a potential buyer.
 - (4) The contractor is to be notified immediately of the higher offer. The contractor will evaluate the offer to determine if, in fact, the higher offer will net the employee additional equity. (Employees

9/28/92

FA SUPPLEMENTAL PAGE

5-1108a(1)-S1. EMPLOYEES ELIGIBLE. Use of the homesale service shall be authorized only when the distance between the new duty station and the old residence is more than 35 miles greater than the distance between the old residence and the old duty station. Employees are eligible to accept the contractor's appraised value offer provided they have marketed the home through a real estate broker of their choice for at least 30 days without receiving a bona fide outside offer that is greater than or equal to its appraised value. Requests for exception to this policy shall be approved by associate/assistant/regional administrators and center directors based upon written justification that shows the policy is unfair in the particular circumstances or will adversely impact the agency's mission. The authority to approve exceptions shall not be redelegated.

This supplement will not be applied to employees in the bargaining units represented by NATCA, NAATS, and PASS-Flight Standards until negotiations on their national collective bargaining agreements are completed and the new agreements become effective.

5-1108a(2)-S1. EMPLOYEES INELIGIBLE. Employees are ineligible for the homesale service when the employee's increased commuting distance between the new duty station and the old residence is 35 miles or less. Employees who refuse to market their homes for at least 30 days are ineligible for the homesale service.

This supplement will not be applied to employees in the bargaining units represented by NATCA, NAATS, and PASS-Flight Standards until negotiations on their national collective bargaining agreements are completed and the new agreements become effective.

THE FRONT OF THIS SHEET LEFT INTENTIONALLY BLANK

7/1/92

FA SUPPLEMENTAL PAGE

5-1108a(1)-S1. EMPLOYEES ELIGIBLE. Use of the homesale service shall be authorized only when the distance between the new duty station and the old residence is more than 35 miles greater than the distance between the old residence and the old duty station. Employees are eligible to accept the contractor's appraised value offer provided they have marketed the home through a real estate broker of their choice for at least 30 days without receiving a bona fide outside offer that is greater than or equal to its appraised value. Requests for exception to this policy shall be approved by associate/assistant/regional administrators and center directors based upon written justification that shows the policy is unfair in the particular circumstances or will adversely impact the agency's mission. The authority to approve exceptions shall not be redelegated.

5-1108a(2)-S1. EMPLOYEES INELIGIBLE. Employees are ineligible for the homesale service when the distance between the new duty station and the old residence is 35 miles or less. Employees who refuse to market their homes for at least 30 days are ineligible for the homesale service.

THE FRONT OF THIS SHEET LEFT INTENTIONALLY BLANK

5-1108. GENERAL CONDITIONS AND LIMITATIONS FOR ELIGIBILITY.

a. Services for Which Fees are Charged.

- (1) Employees Eligible. Only employees who are eligible for allowances for expenses incurred in connection with residence transactions under section 9 of this chapter are eligible for the homesale service. Eligibility conditions include the requirement that the transfer from one official station to another is determined to be in the interest of the Government and is not primarily for the convenience or benefit of the employee or at his/her request.
- (2) Employees Ineligible. The following are ineligible for the homesale service under the contract:
 - (a) New appointees including new appointees to shortage category and Senior Executive Service positions and Presidential appointees;
 - (b) Employees assigned under the Government Employees Training Act (5 U.S.C. 4109);
 - (c) Employees assigned or transferred to and from posts of duty in foreign areas except when the transfer is from a foreign post to a duty station in the United States (or non-foreign area) which is different than the one from which they transferred to the foreign post (P.L. 100-102, 12/22/87); and
 - (d) Uniformed service personnel who are excluded from the Program by law for both chargeable and nonchargeable services.

- b. No-Fee Services. All transferred employees are eligible for the Program services provided under the contract for which there is no fee to the agency. The no-fee services are homefinding assistance for buyers and renters and mortgage finding assistance.

5-1109. PROCEDURAL REQUIREMENTS AND CONTROLS.

- a. Service Agreements. The employee must have submitted a signed service agreement to be eligible for relocation services. In the event the employee violates the terms of the agreement, the agency has the right to recover from the employee all payments made to the contractor on the employee's behalf.

should be aware that any costs of contingencies and buyer concessions, such as repairs and discount points, which are not reimbursable under this Manual will be deducted from the gross proceeds of the sale.)

- (5) If the higher offer is acceptable to the contractor, the employee will sign a binding sales agreement with the contractor and set a date to vacate the property. After the employee vacates the home, the contractor assumes responsibility for the property and negotiates a separate listing agreement with the real estate broker to assist in its final sale. The contractor will pay the employee equity based on the amended value sales agreement. If the amended value sale does not close, the contractor cannot recover the difference between the contractor's appraised value and the amended sale value from the employee.

b. Assigned Sale Transactions. A higher bona fide offer that is determined to be ineligible for processing as an amended value offer may be eligible for processing as an assigned sale. Examples of transactions which might not qualify for processing as amended value offers are those where the potential buyer may include contingencies or other financial terms which make the contract proceeds subject to some degree of uncertainty that is unacceptable to the contractor. The contractor and technical officer (TO) (see paragraph 5-1110e) shall review each case to mutually approve each potential assigned sale situation. Under the assigned sale process, the following steps are required:

- (1) The contractor will instruct the employee to sign the offer from the potential buyer and execute an assignment of the sales agreement to the contractor.
- (2) The contractor will pay the employee equity based on the contractor's appraised value offer. If the subsequent sale to the potential buyer closes, the contractor will pay the employee any additional equity based upon the terms and conditions of the sale at settlement. If the subsequent sale does not close, the employee is not entitled to any additional equity. For this reason, it is to the employee's advantage to seek outside higher offers that qualify as amended value offers rather than assigned sales. However, an assigned sale has the potential of increasing the employee's proceeds from the sale and to be more advantageous than acceptance of the contractor's appraised value offer.

9/28/92

1500.14A FA SUP 11
(DOT 1500.6A)

FA SUPPLEMENTAL PAGE

5-1109d-S1. OPTIONAL USE OF SERVICES. An employee who requests the homesale service may accept the contractor's appraised value offer provided the employee has marketed the home for at least 30 days and has not received a bona fide outside offer that is greater than or equal to the appraised value offer. If the employee receives an outside offer, which is not bona fide as determined by the relocation services contractor, the employee may opt to continue to market the home for a bona fide offer during the 60-day appraised value offer period, accept the contractor's appraised value offer after meeting the 30-day marketing requirement, or sell the home outside of the contract and submit a claim to the FAA for reimbursement of allowable selling expenses.

This supplement will not be applied to employees in the bargaining units represented by NATCA, NAATS, and PASS-Flight Standards until negotiations on their national collective bargaining agreements are completed and the new agreements become effective.

7/1/92

1500.14A FA SUP 9
(DOT 1500.6A)

FA SUPPLEMENTAL PAGE

* 5-1109d-S1. OPTIONAL USE OF SERVICES. An employee who requests the homesale service may accept the appraised value offer provided the employee has marketed the home for at least 30 days and has not received a bona fide outside offer that is greater than or equal to the appraised value offer. If the employee receives an outside offer, which is not bona fide as determined by the relocation services contractor, the employee may opt to continue to market the home for a bona fide offer during the 60-day appraised value offer period, accept the contractor's appraised value offer after meeting the 30-day marketing requirement, or sell the home outside of the contract and submit a claim to the FAA for reimbursement of allowable selling expenses.

- b. Requesting Services. The employee will request the services by submitting a signed Relocation Services Authorization Form to the appropriate RSC. This will be the RSC at the location to which the employee is being transferred. Until a Departmental form is published, RSC's can obtain their initial copy of the existing form from the technical officer (see paragraph 5-1110) and reproduce needed copies.
- c. Employee Entitlement Period. The employee may request the services under the contract at any time after official written notification of transfer. However, services are to be performed no later than two years from the date that the employee reported for duty at the new duty station. A one-year extension of the two-year limit may be approved by the authorizing official upon written request by the employee. A request must be made before the original two-year limit expires. Former employees of the Department will not be authorized contractual relocation services unless the services were requested prior to their leaving the agency.
- d. Optional Use of Services. An employee who is offered the use of relocation services has the option to accept or reject any or all of the services. An employee who requests the homesale service may accept or reject the relocation contractor's purchase offer.
- e. Dual Benefit Prohibited. Once an employee chooses to use the offered relocation services, he or she shall not be allowed reimbursement for expenses incurred in connection with residence transactions (section 9 of this chapter) that are analogous or similar to services that will be paid under the contract. In addition, employees who used property management services (not available after 1988) must refund to the Department all fees paid for such services if they subsequently use the homesale service or submit claims for residence sale expenses for the managed properties incident to the same change of station.
- f. Cancellations. An employee who requests the homesale service may cancel the service at any time prior to an offer or may reject the offer once made. In either case, any authorized charge to the agency by the contractor generally will not be recovered from the employee. The exception occurs when the employee decides not to relocate or violates his/her service agreement; in such cases, the agency may recover from the employee any cancellation fees and other costs (e.g., appraisal costs)

incurred in providing services to the employee under the contract. Once an employee cancels or rejects the guaranteed offer, he/she cannot reenter the Relocation Services Program for the rejected services in connection with the same permanent change of station.

- g. Ineligible Individuals. The Department will not pay for relocation services that will benefit ineligible individuals. For example, where joint ownership of a residence exists between an eligible employee and an individual who is not a member of the employee's immediate family, the benefit derived from relocation services could accrue equally to the ineligible party. In this example, the Department will pay a portion of the contractor's fee for services based on the employee's share of the residence; the employee will be responsible for paying the contractor the remaining portion of the fee. If the residence is a duplex or other type of multiple occupancy dwelling, the contractor will be authorized to provide relocation services only on the nonbusiness portion of the dwelling that is occupied by the employee.

5-1110. RESPONSIBILITIES. The following individuals have direct responsibilities for the Relocation Services Program:

- a. Heads of Operating Administrations and the Assistant Secretary for Administration. Heads of Operating Administrations or their designees and the Assistant Secretary for Administration, for the Office of the Secretary, will designate RSC's and alternates at headquarters and appropriate field locations.
- b. Travel Authorizing Officials. Each travel authorizing official, with the assistance of the losing activity, will prepare a permanent change-of-station travel authorization that correctly identifies only the residence transaction benefits authorized. If the travel authorization provides for sale of residence benefits, the authorizing official must ensure that the residence address shown on the travel authorization is the dwelling from which the employee regularly commutes to and from the duty station. Proper care in preparing the travel authorization is critical to help avoid misunderstandings leading to possible suspension of contractor services and collection for fees paid by the Government to the contractor for services rendered to an

FA SUPPLEMENTAL PAGE

5-1110c-S1. EMPLOYEES. Employees are required to market their homes for at least 30 days to be eligible to accept the relocation services contractor's offer to purchase the home at its appraised value. Relocation services are more cost effective when employees find buyers for their homes under the contract's amended value offer provisions. Employees may satisfy the 30-day marketing requirement by listing the home with a real estate broker of their choice prior to or concurrent with the relocation service's appraisal process. Each employee using relocation services must include an exclusion clause in the listing agreement with the real estate broker, which will protect the employee from any obligation to the broker if the employee sells the home to the contractor during the listing agreement period.

This supplement will not be applied to employees in the bargaining units represented by NATCA, NAATS, and PASS-Flight Standards until negotiations on their national collective bargaining agreements are completed and the new agreements become effective.

ineligible employee. The authorizing official is responsible for ensuring that the travel authorization is completed expeditiously and that a copy is forwarded to the RSC. In establishing an employee reporting date, the authorizing official should consider that it takes at least 30 days for the contractor to make an offer to purchase the employee's home and an employee should be given at least 60 days to market the home independently in seeking a higher bona fide offer.

~~A~~c. Employees. Transferring employees should request services under the contract as soon as possible (within the first day or two) after official notification of their transfers to ensure that they have time to market their homes before completing their moves. Employees are encouraged to market their homes independently to seek higher bona fide offers that may be processed as amended value offers or assigned sales. Every employee is responsible for knowing their transfer requirements and the conditions that their homes must meet for relocation services eligibility. In all cases, employees must comply with the two year eligibility period requirements (paragraph 5-0107).

d. Relocation Services Coordinators. RSC's are responsible for:

- (1) Referring employee requests to the contractor when copies of the travel authorization, employee service agreements, and employee relocation services authorization forms are received. Before making the referral, the RSC will review the travel authorization to verify that the employee was properly approved for residence transactions. The RSC also will compare the former duty station location to the address shown on the travel authorization and employee relocation services authorization forms. If it is questionable that the employee commuted to work daily from the residence, the RSC will confirm with the employee and the employee's former (losing) supervisor.
- (2) Ensuring that only eligible employee requests are submitted to the contractor.
- (3) Notifying transferring employees when their requests for service have been presented to the contractor and, as official contact points, ensuring that employees are provided with their telephone numbers to call when they have questions or problems to resolve.

- (4) Acting as intermediaries between contractor and employees in resolving problems when either party requests assistance.
 - (5) Verifying that the contractor is performing each case in conformance with the terms of the contract and reporting violations to the technical officer.
 - (6) Serving as the information and follow-up contact for the contractor on all cases authorized.
 - (7) Monitoring the progress of each case authorized until services are completed. (RSC's will be responsible for notifying the gaining activity's program division and accounting office if the employee does not elect to use the services or later decides to cancel or change his/her selection of services so that the obligation related to the relocation funds can be adjusted.)
 - (8) Reviewing and recommending payment on invoices received from the contractor.
 - (9) Initiating delivery orders or purchase orders for relocation services by preparing procurement requests.
 - (10) Monitoring expected and actual costs for each case against the delivery order.
 - (11) Disseminating information about the Relocation Services Program within their organizations.
- e. The Technical Officer (TO). This individual is assigned to the Travel and Relocation Systems Division (AAA-300) at Federal Aviation Administration headquarters and is responsible for:
- (1) Acting as the central contact point for all Department RSC's. This responsibility includes coordinating interpretation of Program policy questions and providing information on relocation issues and service delivery related to the relocation services contract.
 - (2) Coordinating the training, communication, service assessment, and problem resolution activities under the relocation services contract.

7/1/92

1500.14A FA SUP 9
(DOT 1500.6A)

FA SUPPLEMENTAL PAGE

5-1110c-S1. EMPLOYEES. Employees are required to market their homes for at least 30 days to be eligible to accept the relocation services contractor's offer to purchase the home at its appraised value. Relocation services are more cost effective when employees find buyers for their homes under the contract's amended value offer provisions. Employees may satisfy the 30-day marketing requirement by listing the home with a real estate broker of their choice prior to or concurrent with the relocation service's appraisal process. Each employee using relocation services must include an exclusion clause in the listing agreement with the real estate broker, which will protect the employee from any obligation to the broker if the employee sells the home to the contractor during the listing agreement period prior to accepting the relocation services contractor's appraised value offer to seek higher bona fide offers that may be processed as amended value offers or assigned sales.

- (3) Tracking and assessing vendor performance and analyzing cost and service impact of the Program and related policy changes.
 - (4) Serving as the primary interface with the Office of the Secretary on the impact of changes to policy, services, and internal procedures.
 - (5) Representing the agency on relocation contract issues applicable to other organizations and the relocation industry and keeping management apprised of significant industry developments related to relocation services contracts.
- f. Heads of Accounting Offices. Heads of accounting offices are to assume that all employees entitled to services will use them. Heads of accounting offices also are responsible for:
- (1) Providing guidance to the RSC regarding employees entitlement for services under this section.
 - (2) Enforcing the dual benefit prohibition.
- g. Relocation Contractor. The relocation contractor is responsible for performing in conformance with the terms of the current contract. The contractor's primary responsibilities include the following:
- (1) Make initial contact with employees referred by RSC's to explain contract services and procedures.
 - (2) Distribute the Employee Relocation Services Guide which describes the relocation services in detail.
 - (3) Provide each employee in the Program with services authorized under the contract. The homesale service must be specifically authorized by the RSC.
 - (4) Report to the RSC and technical officer as required by the contract.

5-1111. ADMINISTRATIVE PROCEDURES.

- a. Funding. Each Operating Administration and the Office of the Secretary will fund its own relocation services furnished through the contract. Object class 12 will be used to record obligations for services provided under the contract.

- b. Travel Authorization. The travel authorization, DOT F 1500.4, Travel Order for Permanent Change of Station, will be used for ordering any item of service covered under the contract. The Relocation Services Program requires additional information to be shown on the DOT F 1500.4 to ensure proper recording of fund obligations, to furnish employee telephone numbers for the contractor, and to provide authorizing officials the estimated total cost of the relocation. Specific information should be entered on the DOT F 1500.4 as follows:
- (1) Block 3 should include the employee's home and commercial office telephone numbers. This information will allow the contractor immediate access to the employee.
 - (2) Block 22 should include the cost of the homesale service (which is the employee's estimate of the value of the residence multiplied by the contractor's current fee).
- c. Delivery Orders. Under the relocation contract, each requesting office will issue delivery orders to the contractor for services. The RSC initiates the delivery order by submitting a DOT F 4200.1, Procurement Request, to the servicing procurement office. The delivery order procedures provide the issuing organization with the authority to request the homesale service up to the amount stated on the delivery order.
- (1) Large Volume of Transfers. Organizations that have a large number of transfers will issue a blanket type delivery order to cover the relocation services fees for moves expected to occur during a specific period. Such delivery orders may be issued to provide for services for any time period up to the entire fiscal year. The procurement request and subsequent delivery order must show the following information:
 - (a) The relocation services contract number.
 - (b) The name of the Operating Administration, or OST, and appropriate organizational subdivision.
 - (c) A unique delivery order number.

- a. Real Estate Losses. Reimbursement may not be made for losses on residence transactions. These include losses resulting from failure to sell a residence at the old official station at the price asked, at its current appraised value, or at its original cost. Also included are losses resulting from failure to buy a dwelling at the new official station at a price comparable to the selling price at the old official station.
- b. Mortgage Cost Differences. Reimbursement may not be made for mortgage interest differentials. A mortgage interest differential is the difference between the interest rate of the mortgage on the residence at the old official station and the interest rate of the mortgage on the residence being purchased at the new official station.
- c. Home Purchases. The law does not authorize the Government to become a homeowner either by direct purchase of the employee's home or by taking title to the home through the contractor.

- (d) The anticipated beginning and ending dates for service requests to be processed under the delivery order.
 - (e) The estimated number of cases to be authorized under the delivery order.
 - (f) A "not to exceed" dollar amount for services to be provided under the delivery order. The RSC and the contractor are responsible for tracking expected and actual costs incurred against the delivery order. The RSC will initiate the process for a new delivery order when costs are expected to exceed the available balance covered by the current delivery order.
 - (g) The agency address to which invoices should be sent for verification and payment.
- (2) Small Volume of Moves. Organizations that process only a few moves each year are not required to prepare delivery orders to use contractual relocation services. The alternative procedure is to submit a purchase order with each case submitted to the contractor. The purchase order must cite the following information:
- (a) The relocation services contract number.
 - (b) The name of the Operating Administration, or OST, and appropriate organizational subdivision.
 - (c) The maximum dollar amount for the services.
 - (d) The employee to whom services are to be furnished and the services authorized.
 - (e) The unique purchase order number.
- (3) Copies of Orders for Service. Copies of all delivery orders and purchase orders will be forwarded to the primary RSC for the Operating Administration or OST. In turn, the primary RSC's will forward copies to the technical officer. These documents will be used to track total Program activity.

5-1112. CONTRACT REQUIREMENTS. Contracts for relocation services may not violate other regulatory or statutory provisions. Those provisions include the following:

SECTION 12. RELOCATION INCOME TAX ALLOWANCE

- 5-1201. AUTHORITY. Payment of a relocation income tax (RIT) allowance is authorized to reimburse eligible transferred employees for substantially all of the additional Federal, State, and local income taxes incurred by the employee, or by the employee and spouse if a joint tax return is filed, as a result of certain travel and transportation expenses and relocation allowances which are furnished in kind, or for which reimbursement or an allowance is provided by the Government (5 U.S.C. 5724b, as amended). The RIT allowance shall be calculated and paid as provided in this section.
- 5-1202. COVERAGE.
- a. Eligible Employees. Payment of a RIT allowance is authorized for employees transferred in the interest of the Government on or after November 14, 1983, from one official station to another for permanent duty. The effective date of an employee's transfer is the date the employee reports for duty at the new official station.
 - b. Individuals Not Covered. The provisions of this section are not applicable to the following individuals or employees:
 - (1) New appointees, including new appointees to shortage category or Senior Executive Service positions, new Presidential appointees and new appointees to overseas posts of duty;
 - (2) Employees assigned under the Government Employees Training Act (see 5 U.S.C. 4109); or
 - (3) Employees returning from overseas assignments for the purpose of separation.
- 5-1203. LIMITATIONS ON MOVING EXPENSES OR ALLOWANCES COVERED. By law, the RIT allowance provides coverage for additional income taxes only on specific moving expenses. The law authorizes reimbursement resulting from taxes paid on certain moving expenses furnished in kind or expenses for which reimbursement or an allowance is provided by the Government. However, such moving expenses are covered by the RIT allowance only to the extent that they are actually paid (or incurred) and are not allowable as moving expense deductions for tax purposes. The specific provisions of this chapter pertaining to each type of allowance listed herein should be consulted for additional information. Also, see section 217 of the Internal Revenue Code (IRC), 26 U.S.C. 217, Internal Revenue Service (IRS) Publication

521 entitled "Moving Expenses" and appropriate State and local tax authority publications for additional information on the taxability of moving expense reimbursements and the allowable tax deductions for moving expenses. The following types of expenses or allowances are covered by the RIT allowance within the limitations discussed:

- a. En Route Travel. Travel (including per diem) and transportation expenses of the transferred employee and immediate family for en route travel from the old official station to the new official station.
- b. Household Goods Shipment. Transportation (including temporary storage) expenses for movement of household goods from the old official station to the new official station.
- c. Nontemporary Storage Expenses. Allowable expenses for nontemporary storage of household goods belonging to an employee transferred on or after November 14, 1983, through October 11, 1984, to an isolated location in the continental United States. Nontemporary storage expenses are not covered by the RIT allowance for transfers on or after October 12, 1984.
- d. Mobile Home Movement. Expenses for the movement of a mobile home for use as a residence when movement is authorized instead of shipment and temporary storage of household goods.
- e. Househunting Trip. Travel (including per diem) and transportation expenses of the employee and spouse for one round-trip to the new official station to seek permanent residence quarters.
- f. Temporary Quarters. Subsistence expenses of the employee and immediate family during occupancy of temporary quarters.
- g. Real Estate Expenses. Allowable expenses for which reimbursement is received by the employee for the sale of the residence (or expenses of settlement of an unexpired lease) at the old official station and for purchase of a home at the new official station.
- h. Miscellaneous Expense Allowance. A miscellaneous expense allowance for the purpose of defraying certain expenses associated with discontinuing a residence at one location and establishing a residence at the new location in connection with an authorized or approved permanent change of station.

Vertical line denotes change.

- i. Relocation Services. Payments, or portions thereof, made to a relocation service company pursuant to a contract with the agency to the extent such payments constitute income to the employee.

5-1204. EXCLUSIONS FROM COVERAGE. The provisions of this section are not applicable to the following:

- a. Any tax liability that may result from payments by the Government to relocation companies on behalf of employees transferred on or after November 14, 1983, through October 11, 1984.
- b. Any tax liability incurred for local income taxes (as defined in paragraph 5-1205) other than city income tax as a result of moving expense reimbursements for employees transferred on or after November 14, 1983, through October 11, 1984.
- c. Any tax liability resulting from reimbursed expenses for any nontemporary storage of household goods except as specifically provided for in paragraph 5-1203c.
- d. Any tax liability resulting from paid or reimbursed expenses for shipment of a privately owned automobile.
- e. Any tax liability resulting from an excess of reimbursed amounts over the actual expense paid or incurred. For instance, if an employee's reimbursement for the movement of household goods is based on the commuted rate schedule and his/her actual moving expenses are less than the reimbursement, the difference is not covered by the RIT allowance.
- f. Any tax liability resulting from an employee's decision not to deduct moving expenses for which a tax deduction is allowable under the IRC or appropriate State and local tax codes.

5-1205. DEFINITIONS AND DISCUSSION OF TERMS. For purposes of this section, the following definitions will apply:

- a. State Income Tax. A tax imposed by a State tax authority that is deductible for Federal income tax purposes as a State income tax under section 164(a)(3) of the IRC (26 U.S.C.164(a)(3)). "State" means any one of the several States of the United States and the District of Columbia.

Vertical line denotes change.

- b. Local Income Tax. A tax imposed by a recognized city or county tax authority that is deductible for Federal income tax purposes as a local (city or county) income tax under section 164(a)(3) of the IRC (26 U.S.C. 164(a)(3)); except that, for employees transferred on or after November 14, 1983, through October 11, 1984, local income tax shall be construed to mean only city income tax. For purposes of this section:
- (1) "City" means any unit of general local government which is classified as a municipality by the Bureau of the Census, or any unit which is a town or township that in the determination of the Secretary of the Treasury possesses powers and performs functions comparable to those associated with municipalities, is closely settled, and contains within its boundaries no incorporated places as defined by the Bureau of the Census (31 CFR 215.2(b)(1)).
 - (2) "County" means any unit of local general government which is classified as a county by the Bureau of the Census (31 CFR 215.2(e)).
- c. Covered Moving Expense Reimbursements or Covered Reimbursements. As used herein, these terms include those moving expenses listed in paragraph 5-1203 as being covered by the RIT allowance which may be furnished in kind or for which reimbursement or an allowance is provided by the Government.
- d. Covered Taxable Reimbursements. Covered moving expense reimbursements minus the allowable tax deductions for moving expenses.
- e. Year 1 or Reimbursement Year. The calendar year in which reimbursement or payment for moving expenses is made to, or for, the employee under the provisions of this chapter. All or part of these reimbursements are reported as income (wages, salary or other compensation) to the employee for that tax year under the provisions of the IRC and IRS regulations and are subject to Federal tax withholding. A withholding tax allowance (WTA) (see paragraph 5-1205n, below) is calculated in Year 1 to cover the employee's Federal tax withholding obligations each time reimbursements are made that result in a withholding obligation. For purposes of this section, an advance of funds for any of the covered moving expenses is not considered to be a reimbursement or a payment until the travel voucher settlement for such expenses takes place. If an employee's reimbursement for moving expenses is spread over more than one year, he/she will have more than one Year 1.

Vertical line denotes change.

11-6-87

- f. Year 2. The calendar year in which a claim for the RIT allowance is paid.
- (1) Generally, Year 2 will be the calendar year immediately following Year 1 and the year in which the employee files a tax return reflecting his/her tax liability for income received in Year 1. However, there may be instances where the employee's claims submission and/or payment of the RIT allowance is delayed beyond the calendar year immediately following Year 1. (Year 1 will always be the calendar year that reimbursements are received.) Year 2 will be the calendar year in which the RIT allowance is actually paid.
 - (2) The RIT allowance is calculated in Year 2 and paid to cover the additional tax liability (resulting from moving expense reimbursements received in Year 1) not covered by the WTA paid in Year 1. If an employee's covered taxable reimbursements are spread over more than one year, he/she will have more than one Year 2.
- g. Federal Withholding Tax Rate (FWTR). The tax rate applied to incremental income to determine the amount to be withheld for Federal income tax from salary or other compensation such as moving expense reimbursements. Because moving expense reimbursements constitute supplemental wages for Federal income tax purposes, a 20 percent flat rate of withholding is generally applicable to such reimbursements. Complete information on this subject can be found in the Treasury Fiscal Requirements Manual, ITFRM 3-5000, and applicable IRS regulations.
- h. Earned Income. For purposes of the RIT allowance, earned income shall include only the gross compensation (salary, wages, or other compensation such as reimbursement for moving expenses and the related WTA and any RIT allowance paid for moving expense reimbursement in a prior year) that is reported as income on IRS Form W-2 for the employee (employee and spouse, if filing jointly), and if applicable, the net earnings (or loss) from self-employment income shown on Schedule SE of IRS Form 1040. Earned income may be from more than one source.
- i. Marginal Tax Rate (MTR). The tax rate (for example 35%) applicable to a specific increment of income. The Federal and State marginal tax rates to be used in calculating the RIT allowance are provided in Appendix G. These rates are updated annually by GSA in the Federal Register. See paragraph 5-1208 for instructions on local marginal tax rate determinations.

- j. Combined Marginal Tax Rate (CMTR). A single rate determined by combining the applicable marginal tax rates for Federal, State and local income taxes, using the formula provided in paragraph 5-1208.
- k. Gross-up. Payment for the estimated additional income tax liability incurred by an employee as a result of reimbursements or payments by the Government for the covered moving expense reimbursements.
- l. Gross-up Formulas. The formulas used to determine the amount of the gross-up for the WTA and RIT allowance. The formulas used herein compensate the employee for the initial tax, the tax on tax, etc.
- m. RIT Allowance. The amount of payment computed in Year 2 and paid to cover substantially all of the estimated additional tax liability incurred as a result of the covered moving expense reimbursements received in Year 1.
- n. Withholding Tax Allowance (WTA). The WTA, paid in Year 1, covers the employee's Federal tax withholding liability on covered taxable reimbursements received in Year 1. The amount is computed by applying the withholding gross-up formula (using the Federal withholding tax rate) each time that a Federal withholding obligation is incurred on covered moving expense reimbursements received in Year 1. Grossing-up the Federal withholding amount protects the employee from having to use part of his/her moving expense reimbursement to pay Federal withholding taxes.

5-1206. PROCEDURES IN GENERAL.

- a. This section sets forth procedures for the computation and payment of the RIT allowance and defines agency and employee responsibilities. These procedures do not require changes to those internal fiscal procedures established by individual accounting offices pursuant to IRS regulations, or the Treasury Fiscal Requirements Manual, provided that the intents of the statute authorizing the RIT allowance and this section are not disturbed.
- b. The total amount reimbursed or paid to the employee, or on his/her behalf, for travel, transportation and other relocation expenses and allowances is includable in the employee's gross income pursuant to the IRC and certain State or local government tax codes. Some expenses for which reimbursements are received may be deducted from income by the employee as moving expense deductions,

Vertical line denotes change.

subject to certain limitations prescribed by the IRS or pertinent State or local tax authorities. Reimbursements for nondeductible moving expenses are subject to income tax. (See IRS Publication 521 entitled "Moving Expenses" and the appropriate State and local tax codes for detailed information.)

- c. Usually, if the employee is reimbursed for nondeductible moving expenses, the amount of these reimbursements is subject to withholding of Federal income tax at the time of reimbursement. Under existing fiscal procedures, the amount of the employee's withholding obligation is usually deducted either from reimbursements for the moving expenses at the time of reimbursement or from the employee's salary.
- d. Payment of a WTA established herein will offset deductions for the Federal withholding taxes, on moving expense reimbursements and on the WTA itself, from the employee's moving expense reimbursements or from salary.
- e. The total amount of the RIT allowance can be computed after the end of Year 1 as soon as the earned income level, income filing status, total covered taxable reimbursements, and the applicable marginal tax rates can be determined.
- f. The procedures prescribed herein for computation and payment of the WTA and the RIT allowance are intended to build on existing fiscal procedures regarding reporting of employee income from reimbursements and withholding of taxes on supplemental wages.

5-1207. DETERMINING THE WITHHOLDING TAX ALLOWANCE IN YEAR 1.

- a. General Rules. The WTA is designed to cover the employee's Federal withholding tax obligation for income resulting from covered moving expense reimbursements. Withholding tax obligations, if any, for State and/or local income taxes on moving expense reimbursements shall not be included in the calculation of the WTA payment. The amount of the WTA is equal to the Federal withholding tax obligation incurred by the employee on covered moving expense reimbursements (which are not offset by deductible moving expenses) and on the WTA itself.

- b. Determination of Amount of Reimbursement Subject to Withholding. Each time that moving expenses are reimbursed to the employee, or paid on behalf of the employee, IRS regulations require that the agency determine the amount of those reimbursements that it reasonably believes will be deductible moving expenses. Reimbursements for nondeductible moving expenses are then subject to withholding of Federal income tax. Since there are some relocation expenses which may be reimbursed but are not covered reimbursements under the RIT allowance, such as nontemporary storage of household goods, the amount of the nondeductible moving expenses per IRS regulations may be different than the actual amount of covered taxable reimbursements which is subject to withholding. Because the difference in these amounts should not be substantial, the amount of nondeductible moving expenses subject to Federal withholding tax, as determined pursuant to IRS regulations, may be used in computing the WTA.
- c. Determination of Federal Withholding Tax Rate (FWTR). Because moving expense reimbursements constitute supplemental wages for Federal income tax purposes, the 20 percent flat rate of withholding is generally applicable to income generated by such reimbursements.
- d. Calculation of Withholding Tax Allowance (WTA). The WTA is calculated by substituting the amounts determined in subparagraphs 5-1207b and c, above, into the WTA gross-up formula shown below.

$$\text{Formula: } Y = \frac{X}{1-X} (N) \qquad Y = \text{WTA}$$

$$X = \text{FWTR (generally, 20 percent)}$$

$$N = \text{nondeductible moving expenses}$$

Example: If $X = 20$ percent
 $N = \$21,800$
 Then $Y = \frac{.20}{1.00-.20} (\$21,800)$
 $Y = .25(\$21,800) \text{ or } \$5,450$

- e. WTA Payment and Employee Agreement for Repayment.
- (1) The WTA may be calculated several times within Year 1 if reimbursements for moving expenses are made on more than one travel voucher. Each time an employee is reimbursed for moving expenses which

Vertical line denotes change.

are subject to Federal tax withholding, the WTA will be calculated and paid unless the employee fails to comply with the requirements in subparagraph (2) which follows.

- (2) The employee shall be required to agree in writing to repay any excess amount paid to him/her in Year 1 and submit the required certified tax information and claim for his/her RIT allowance within six months after the close of Year 1 or some other appropriate period established by the servicing accounting officer. Failure of the employee to comply with this requirement will preclude the payment of the WTA.

- f. Determination of Employee's Withholding Tax on the WTA. Since the amount of the WTA is considered income to the employee, it is subject to the same tax withholding requirements as all other moving expense reimbursements.
- g. End of Year Reporting. At the end of the year, the Department is required to issue IRS Forms W-2 for each employee showing total gross compensation (including moving expense reimbursements) and the applicable amount of Federal taxes withheld. For tax reporting purposes, the WTA is to be treated as a moving expense reimbursement. The total amount of the employee's WTA's paid during the year as well as the amount of moving expense reimbursements should be included as income on the employee's Form W-2. The Federal tax withholding amount applicable to the moving expense reimbursements and the WTA should also be included on the employee's Form W-2. The amount of the WTA's also will be furnished to the employee along with moving expense reimbursements on IRS Form 4782 or another itemized listing provided for the employee's use in preparing his/her tax return and in claiming the RIT allowance.

5-1208. DETERMINING THE RIT ALLOWANCE IN YEAR 2.

- a. Overview. The RIT allowance will be calculated and claimed in Year 2. This can be accomplished as soon as the employee can determine earned income, income tax filing status, covered taxable reimbursements for Year 1 and the applicable marginal tax rates. The RIT allowance is then calculated using the gross-up formula under procedures in this paragraph. Since the RIT allowance is considered income, appropriate withholding taxes on the RIT allowance are deducted and the balance constitutes the net payment to the employee.

b. General Rules and Assumptions.

- (1) The procedures prescribed herein for calculation and payment of the RIT allowance are based on certain assumptions, jointly developed by GSA and IRS, and tax tables developed by IRS. This approach avoids a potentially controversial and administratively burdensome procedure requiring the employee to furnish extensive documentation, such as certified copies of actual tax returns and reconstructed returns, in support of a claim for a RIT allowance payment. Specifically it has been assumed that:
 - (a) The employee will claim allowable moving expense deductions for the same tax year in which the corresponding moving expense reimbursements are included in income;
 - (b) The employee will claim the maximum amount of deductible moving expenses allowable under the IRS tax rules when filing his/her tax return; and
 - (c) Prior to the Tax Reform Act of 1986, the employee's (and spouse's if a joint return is filed) earned income, filing status and combined marginal tax rate (CMTR) determined for Year 1, (and used to determine the amount of the RIT allowance in Year 2) would remain the same or would not be substantially different in the second and subsequent tax years. However, the Tax Reform Act of 1986 substantially changed the Federal tax rates scheduled for 1987 and subsequent years. Therefore, it is necessary to compute a separate CMTR for Year 1 and Year 2 and a new formula is prescribed to calculate any RIT allowances paid in 1987. It is assumed that within the accuracy of the calculation, the State and local tax rates for Year 1 shall be used in calculating the CMTR for Year 2.
- (2) The prescribed procedures which yield an estimate of an employee's additional tax liability due to moving expense reimbursements are to be used uniformly. They are not to be adjusted to accommodate an employee's unique circumstance which may differ from the assumed circumstances.

Vertical line denotes change.

- (3) An adjustment of the RIT allowance paid in Year 2 for the covered taxable reimbursements received in Year 1 is required if the tax information certified to on the RIT allowance claim is different than that shown on the actual Federal tax return filed with IRS for Year 1 or changed for any reason after filing of the tax return, so as to affect the combined marginal tax rate used in the RIT allowance calculation.

c. Determination of Covered Taxable Reimbursements.

- (1) Generally, the amount of the covered taxable reimbursements is the difference between:
 - (a) The amount of covered moving expense reimbursements for the allowances listed in paragraph 5-1203 that was included in the employee's income in Year 1; and
 - (b) The maximum amount of allowable moving expenses that may be claimed as a moving expense deduction by the employee on his/her Federal tax return under IRS tax regulations to offset the income resulting from moving expense reimbursements for Year 1. If the employee is precluded from claiming moving expense deductions because he/she does not meet IRS requirements for the distance test, the amount of covered taxable reimbursements is the same as the amount of covered moving expenses.
- (2) For purposes of calculating the RIT allowance, the following special rules apply to the determination of moving expense deductions to offset moving expense reimbursements reported as income:
 - (a) The total amount of reimbursement (which was reported as income) for the expenses of en route travel for the employee and family and transportation (including up to 30 days temporary storage) of household goods to the new official station shall be used as a moving expense deduction.
 - (b) The total amount of reimbursement for a househunting trip, temporary quarters (up to 30 days at new station) and real estate transaction expenses, up to the maximum allowable deduction under IRS tax regulations, shall be used as a moving expense deduction.

For example, an employee and spouse filing a joint return for the 1986 tax year and residing in the same household at the end of the tax year may deduct up to \$3,000 for these expenses. (No more than \$1,500 of the \$3,000 may be claimed for a househunting trip and temporary quarters expenses combined.) If the employee was reimbursed \$1,350 for a househunting trip and temporary quarters expenses and \$9,000 for real estate expenses, the moving expense deductions would be \$1,350 for the househunting trip and temporary quarters expenses and \$1,650 for real estate expenses. If the employee's reimbursement was \$1,850 for the househunting trip and temporary quarters expenses and \$9,000 for real estate expenses, the moving expense deductions would be \$1,500 for the househunting trip and temporary quarters expenses and \$1,500 for real estate expenses. If the employee had no reimbursement for the househunting trip and temporary quarters, the full \$3,000 would be applied to the \$9,000 reimbursement for real estate expenses. (See IRS Publication 521, "Moving Expenses," for these and other maximums which vary by situation and filing status.)

- (3) Procedures and examples are provided herein as if all moving expense reimbursements are received in one year with all moving expense deductions applied in that same year to arrive at the covered taxable reimbursements. However, when reimbursements span more than one year, the amount of covered taxable reimbursements must be determined separately for each reimbursement year (Year 1). The maximum moving expense deductions apply to the entire move. Under IRS tax regulations the employee has some discretion as to when he/she claims these deductions (e.g., in the year of the move when the expense was paid or in the year of reimbursement, if these actions do not occur in the same year). However, for purposes of the RIT allowance procedures, the moving expense deductions will be applied in the year that the corresponding reimbursement is made. For example, if an employee incurred and was reimbursed \$1,000 for a househunting trip and temporary quarters in 1985 and an additional \$1,000 for temporary quarters in 1986, this employee, according to his/her particular situation and tax filing status, may deduct \$1,500 of these expenses in moving expense deductions. In calculating the RIT allowance for

Vertical line denotes change.

1985, \$1,000 of the \$1,500 deduction is used to offset the \$1,000 reimbursement in 1985 resulting in zero covered taxable reimbursements for the househunting trip and temporary quarters for 1985. The remaining \$500 (balance of the \$1,500 not used in determining covered taxable reimbursements for 1985) will be used to offset the \$1,000 temporary quarters reimbursement in 1986 (second Year 1), leaving \$500 of the temporary quarters reimbursement as a covered taxable reimbursement for 1986.

- (4) Although the WTA amount is included in income, it shall not be included in the amount of covered taxable reimbursements. Under the procedures and formulas established herein, the proper amount of the RIT allowance is calculated using the RIT gross-up formula with the WTA excluded from covered taxable reimbursements.
- (5) Agencies are cautioned that there may be moving expenses reimbursed to the employee that are not covered by the RIT allowance. (See exclusions in paragraph 5-1204.)
- (6) An example showing how to calculate covered taxable reimbursements is illustrated in Figure 5-12a. Also, Figures 5-12b and 5-12c show an example of completed IRS Form 4782 (Employee Moving Expense Information) and of IRS Form 3903 (Moving Expense Adjustment) with dollar amounts which correspond to those shown in Figure 5-12a.

- d. Determination of Income Level and Filing Status. In order to determine a combined marginal tax rate needed to calculate the RIT allowance, the employee must determine the appropriate amount of earned income (as prescribed herein) that was or will be reported on his/her Federal tax return for the tax year in which the covered taxable reimbursements were received (Year 1). Such amount will also include the spouse's earned income if a joint filing status is claimed. For purposes of this section, appropriate earned income shall include only the amount of gross compensation reported on IRS Form(s) W-2, and if applicable, the net earnings (or loss) from self-employment income as shown on Schedule SE of IRS Form 1040. (Note that moving expense reimbursements including the WTA amounts are to be included in earned income and should be shown as income on the Form W-2; if they are not, other appropriate documentation shall be furnished by the servicing accounting office.) The amount of earned income as

determined under this section and the tax filing status (for example, from lines one through five on the 1986 IRS Form 1040) shall be contained in a certified statement on, or attached to, the voucher claiming the RIT allowance.

- e. Determination of the Combined Marginal Tax Rate. The gross-up formula used to calculate the RIT allowance requires use of two CMTR's - one for Year 1 in which reimbursements were received and the other for Year 2 in which the RIT allowance is paid. CMTR's are single tax rates calculated to represent the Federal, State and/or local tax rates applicable to the earned income for Year 1. The CMTR's will be determined as follows:
- (1) Federal Marginal Tax Rate. The Federal marginal tax rates for Year 1 and Year 2 are determined by using the income level and filing status which are contained in the certified statement by the employee on his/her RIT allowance claim and applying the prescribed Federal tax tables contained in Appendix G. For example, if the income level for 1986 tax year (Year 1) was \$65,000 for a married employee filing a Federal joint return, the Federal marginal tax rate would be 38 percent for Year 1 (1986) and 35 percent for Year 2 (1987). These rates would be used regardless of how much of the \$65,000 was attributable to reimbursement for the employee's relocation expenses. (Note that these marginal rates are different from the withholding tax rate used for the WTA.) If the employee incurs only Federal income tax (i.e., there are no State or local taxes), the Federal marginal tax rates are the CMTR's to be used in the RIT gross-up formula. In such cases, the provisions on State and local marginal tax rates do not apply.
 - (2) State Marginal Tax Rate.
 - (a) If the employee incurs an additional State income tax liability as a result of moving expense reimbursements, the appropriate State tax table (Appendix G or published tables updated periodically by GSA) is to be used to determine the applicable State marginal tax rate that will be substituted into the formula for determining the CMTR for both Year 1 and Year 2. The appropriate State tax table will be the one that corresponds to the tax year in which the reimbursements are paid to the employee (Year 1). The income level for

Vertical line denotes change.

Federal taxes shall be used to identify the appropriate income bracket in the State tax table. The applicable State marginal tax rate is obtained from the selected income bracket column for the State where the employee is required to pay State income tax on moving expense reimbursements. The tax rates shown in the table apply to all employees regardless of filing status, except where a separate rate is shown for a single filing status.

- (b) The lowest income bracket shown in the State tax table is \$20,000-\$24,999. In cases where the employee's (employee's and spouse's, if filing jointly) earned income is less than this income bracket, an appropriate State marginal tax rate shall be established from the applicable State tax code or regulations issued pursuant thereto. Such State marginal tax rate shall be representative of the earned income level in question but in no case more than the marginal tax rate in the State tax table for the \$20,000-\$24,999 income bracket for the particular State in which an additional tax obligation has been incurred.
- (c) The State marginal tax rates generally are expressed as a percent of taxable income. However, if the State marginal tax rate is stated as a percentage of the Federal income tax liability, the State tax rate must be converted to a percent of taxable income to be used in the CMTR formula. This is achieved by multiplying the Federal tax rate for Year 1 by the State tax rate. For example, if the Federal tax rate is 38 percent for Year 1 and the State tax rate is 25 percent of the Federal income tax liability, the State tax rate stated as a percent of taxable income would be 9.5 percent. The State tax rate for Year 1 will be used in determining the CMTR for both Year 1 and Year 2.
- (d) An employee may incur a State income tax liability on moving expense reimbursement if in more than one State at the same or different marginal tax rates. Nevertheless, a single State marginal tax rate must be determined for use in the CMTR formulas. The general rules which follow shall be applied in determining the applicable single rate.

1 In the tax year during which the transfer actually takes place, the employee may incur a State income tax obligation at both the old and the new location. However, most moving expense reimbursements will be taxed at the new location. Although the employee may receive some reimbursements (e.g., for a househunting trip) prior to the actual transfer which would be credited as income at the old location, these types of expenses generally are tax deductible and would not generate an additional State tax liability for the employee. In addition, procedures inherent in the travel voucher reimbursement system tend to cause most reimbursements which may be taxable to occur after the actual transfer. Therefore, the State marginal tax rate determined hereunder for the new location will be used in the CMTR formulas.

2 There may be other situations where the employee is subject to taxes on moving expense reimbursements in two States, in one State because of State residency and in another because a particular State taxes income earned within its jurisdiction irrespective of whether the employee is a resident. If the two States involved recognize such situations by allowing an adjustment or credit for taxes paid to the other State, the State marginal tax rate for the State where income tax on moving expense reimbursements is actually paid will be determined and used in the CMTR formulas. However, in those situations where there is in fact double taxation on income from moving expense reimbursements and the taxes imposed by both States qualify as a State income tax, the sum of the State marginal tax rates for the two States shall be used in the CMTR formulas.

(3) Local Marginal Tax Rate. Because of the impracticality of establishing a single marginal tax rate table for local income taxes that could be applied uniformly nationwide, local marginal tax rates shall be determined as follows:

Vertical line denotes change.

- (a) If the employee incurs an additional local income tax liability as a result of moving expense reimbursements, he/she shall certify to such fact when claiming the RIT allowance by specifying the name of the locality imposing the income tax and the applicable marginal tax rate determined from the actual marginal tax rate table or schedule prescribed by the taxing locality. The marginal tax rate shall be the one applicable to the taxable income portion of the amount of earned income for the employee (and spouse, if filing jointly). The same tax rate shall be used in calculating the CMTR for both Year 1 and Year 2. The employing agency shall establish procedures to determine whether the employee certified local marginal tax rate is appropriate for the employee's income level and filing status and approve its use in the CMTR formulas.
- (b) If the local marginal tax rate is stated as a percentage of Federal or State income tax liability, such rate must be converted to a percent of income for use in the CMTR formulas. This is accomplished by multiplying the applicable Federal or State tax rate for Year 1 by the applicable local tax rate. For example, if the State tax rate for Year 1 is six percent and the local tax rate is 50 percent of State income tax liability, the local tax rate stated as a percentage of taxable income would be three percent. The local tax rate thus determined for Year 1 will be used in determining the CMTR for both Year 1 and Year 2.
- (c) The situations described in paragraph 5-1208e(2)(d) with respect to State income taxes may also be encountered with local income taxes. If such situations do occur, the rules prescribed for determining the single State marginal tax rate shall also be applied to determine the single local marginal tax rate for use in the CMTR formula.

- (4) Calculation of the Combined Marginal Tax Rate. The gross-up formula for calculating the RIT allowance requires the use of two CMTR's. However, the required CMTR's cannot be calculated by merely adding the Federal, State and local marginal tax rates together because of the deductibility of State and local income taxes from income for Federal income tax purposes. The State tax tables prescribed in Appendix G are designed to use the same income amount as that determined for the Federal taxes, which reflects, among other things, State and local tax deductions. The formulas prescribed herein for calculating the CMTR's are designed to adjust the State and local tax rates to compensate for their deductibility from income for Federal tax purposes.

- (a) Calculation of the CMTR for Year 1. The following formula shall be used to calculate the CMTR for Year 1:

$$\text{Formula: } X = F + (1-F)S + (1-F)L$$

where X = CMTR for Year 1
 F = Federal tax rate for Year 1
 S = State tax rate for Year 1
 L = local tax rate for Year 1

- 1 State and Local Taxes Incurred. If the employee incurs Federal, State and local income taxes on moving expense reimbursements, the CMTR formula may be solved as follows:

Example: If F = 38 percent of income
 S = 6 percent of income
 L = 2 percent of income

Then $X = .38 + (1.00 - .38) \cdot .06 + (1.00 - .38) \cdot .02$
 or .4296

- 2 Federal and State Income Tax Only. If the employee incurs tax liability on moving expense reimbursements for Federal and State income tax but none for local income tax, the value of "L" is zero and the CMTR formula is solved as follows:

Example: If F = 38 percent of income
 S = 6 percent of income
 L = Zero

Then $X = .38 + (1.00 - .38) \cdot .06$ or .4172.

Vertical line denotes change.

- 3 Federal and Local Income Tax Only. If the employee incurs a tax liability on moving expense reimbursements for Federal and local income tax but none for State income tax, the value of "S" is zero and the CMTR formula may be solved as follows:

Example: If F = 38 percent of income
S = Zero
L = 2 percent of income

Then $X = .38 + (1.00 - .38) \cdot .02$ or .3924.

- (b) Calculation of the CMTR for Year 2. The Year 2 CMTR calculation is the same as for Year 1 except that the Federal tax rate for Year 2 is used in place of the Federal tax rate for Year 1. State and local tax rates remain the same as for Year 1. The following is the Year 2 CMTR formula:

CMTR Formula: $W = F + (1 - F)S + (1 - F)L$

where W = CMTR for Year 2
F = Federal tax rate for Year 2
S = State tax rate for Year 2
L = Local tax rate for Year 2

- f. Determination of the RIT Allowance. The RIT allowance to cover the tax liability on additional income resulting from the covered taxable reimbursements received in Year 1 is calculated in Year 2 as provided below:

- (1) Compute the RIT allowance by substituting the amount of covered taxable reimbursements for Year 1, the CMTR's for Year 1 and Year 2, and the total amount of the WTA's paid in Year 1 into the gross-up formula as follows:

Formula: $Z = (X / (1 - W))R - (1 - X / (1 - W))Y$

where Z = RIT Allowance payable in Year 2
X = CMTR for Year 1
W = CMTR for Year 2
R = covered taxable reimbursements
Y = total WTA's paid in Year 1

Example: If X = .4296
W = .4020
R = \$21,800
Y = \$5,450

11-6-87

Then $Z = .4296/1.00 - .4020(\$21,800) -$
 $1.00 - .4296/1.00 - .4020(\$5,450)$
 $Z = .7184(\$21,800) - .9538((\$5,450)$
 $Z = \$15,661.12 - \$5,198.21$
 $Z = \$10,462.91$

- (2) There may be instances when a WTA was not paid in Year 1 at the time moving expense reimbursements were made. In cases where there is no WTA to be deducted, the value of "Y" is zero and the formula for calculating the amount of the RIT allowance (Z) due the employee in Year 2 may be solved as follows:

Example: If $X = .4296$
 $W = .4020$
 $R = \$21,800$
 $Y = \text{Zero}$

Then $Z = .4296/1.00 - .4020(\$21,800)$
 $Z = .7184(\$21,800)$
 $Z = \$15,661.12$

- (3) If the amount of the RIT allowance is greater than zero, it is payable to the employee on the travel voucher as a relocation or moving expense allowance. The RIT allowance amount is included in the employee's gross income for Year 2 and, therefore, subject to appropriate withholding taxes (see net payment to employee in paragraph 5-1208g). The RIT allowance amount will be reported on IRS Form W-2 for Year 2 and on IRS Form 4782 for the employee's information.
- (4) If the calculation of the RIT allowance results in a negative amount, the employee is obligated to repay this amount as a debt due the Government.
- (5) Any changes to the employee's income level or filing status for Year 1 that would affect the marginal tax rates (Federal, State, or local) used in calculating the RIT allowance must be reported to the accounting office by the employee.

Vertical line denotes change.

CH 5-1208f(1)

- g. Determination of the Net Payment Due Employee in Year 2. Since the amount of the RIT allowance is income to the employee in Year 2, it is subject to the same tax withholding requirements as all other moving expense reimbursements. Appropriate amounts for withholding taxes should be determined under internal tax withholding procedures. The amount of withholding taxes is deducted from the RIT allowance to arrive at the net payment to the employee.
- h. Summary Example. The procedures in this paragraph for calculating the RIT allowance and in 5-1207 for calculating the WTA are summarized and illustrated for a hypothetical situation in Figure 5-12d.

5-1209. RESPONSIBILITIES.

- a. Agency. Accounting offices will calculate the amount of the gross-up for the WTA in Year 1 in accordance with procedures outlined herein and credit this amount on the travel voucher at the time of reimbursement. The WTA will be reflected on the employee's Form W-2 for Year 1. The RIT allowance may be calculated in Year 2 either by the employee or by the accounting or other designated office based on information provided by the employee on the voucher.
- b. Employee.
 - (1) The employee is required to submit a claim for the RIT allowance and to file the tax information for Year 1 specified in paragraph 5-1210 with his/her accounting office in Year 2, regardless of whether any additional reimbursement for the RIT tax allowance is owed the employee.
 - (2) If any action occurs (i.e., amended tax return, tax audit, etc.) that would change the information provided in Year 2 by the employee for use in calculating the total RIT allowance due for Year 1 taxes, this information must be provided by the employee to the servicing accounting office.
 - (3) If the calculation of the RIT allowance results in a negative amount, the employee is obligated to repay the excess amounts as a debt due the Government.

Vertical line denotes change.

CH 5-1208g

5-1210. CLAIMS FOR PAYMENT AND SUPPORTING DOCUMENTATION AND VERIFICATION.

- a. Claims Forms. Claims for payment of the RIT allowance shall be submitted by the employee in Year 2 on the Travel Voucher, SF 1012.
- b. Certification. When claiming payment of the RIT allowance, the employee shall furnish and certify to certain tax information that has been or will be shown on his/her actually prepared tax returns. This information shall be contained in a certified statement signed by the employee (and spouse, if filing jointly) on, or attached to, the SF 1012 reading essentially as follows:

"I certify that the following information, which is to be used in calculating the RIT allowance to which I am entitled, has been (or will be) shown on the income tax returns filed (or to be filed) by me (or by my spouse and me) with the applicable Federal, State, and local (specify which) tax authorities for the 198_ tax year.

- Gross compensation as shown on attached IRS Form(s) W-2 and, if applicable, net earnings (or loss) from income shown on attached Schedule SE (Form 1040):

	<u>SE</u>	<u>Forms W-2</u>	<u>Schedule</u>
Employee		\$ _____	\$ _____
Spouse (if filing jointly)		\$ _____	\$ _____
TOTAL (Both columns)		\$ _____	

- Filing status: _____ [Specify one of the five filing status items that was (or will be) claimed on IRS Form 1040.]

- Marginal tax rates from Appendix G and local tax tables derived under procedures in this section:

Federal for Year 1: _____
 Federal for Year 2: _____
 State (specify which): _____
 Local (specify which): _____

The above information is true and accurate to the best of my knowledge. I(we) agree to notify the accounting office of any changes to the above (i.e., from amended

Vertical line denotes change.

tax returns, tax audit, etc.) so that appropriate adjustment to the RIT allowance can be made. The required supporting documents are attached. Additional documentation will be furnished if requested.

I (we) further agree that if the required 12-month service agreement is violated, the total amount of the RIT allowance will become a debt due the United States Government and will be repaid."

Employee's signature
Date _____

Spouse's signature (if filing jointly)
Date _____

- c. Supporting Documentation/Verification. The claim for the RIT allowance shall be supported by documentation attached to the voucher and by verification of State and local tax obligations as provided below:
- (1) Copies of the appropriate IRS Forms W-2 and, if applicable, the completed IRS Schedule SE (Form 1040) shall be attached to the voucher to substantiate the income amounts shown in the certified statement. The employee (and spouse, filing jointly) must agree to provide additional documentation to verify income amounts, filing status, and State and local income tax obligations when requested.
 - (2) In order to determine or verify whether a particular State or local tax authority imposes a tax on moving expense reimbursements, it is incumbent upon RIT voucher examining and certifying officials to become familiar with the State and local tax laws that affect their transferring employees. In cases where the taxability of moving expense reimbursements is not clear, the employee should be paid a RIT allowance which reflects only those State and local tax obligations that are clearly imposed under State and local law. When questionable State or local tax obligations are resolved, the RIT allowance may be recomputed and appropriate payment adjustments made.

d. Fraudulent Claims. A claim against the United States is forfeited if the claimant defrauds or attempts to defraud the Government in connection therewith (28 U.S.C. 2514). Also, there are two criminal provisions under which severe penalties may be imposed on an employee who knowingly presents a false, fictitious, or fraudulent claim against the United States (18 U.S.C. 287 and 1001). The employee's claim for the RIT allowance shall accurately reflect the facts in every instance so that any violation of these provisions will be avoided.

5-1211. VIOLATION OF SERVICE AGREEMENT. In the event the employee violates the terms of the service agreement, no part of the RIT allowance or the WTA will be paid, and any amounts paid prior to such violation shall be a debt due the United States until they are repaid by the employee.

5-1212. ADVANCE OF FUNDS. No advance of funds is authorized in connection with the RIT allowance.

Figure 5-12a. EXAMPLE - COMPUTING COVERED TAXABLE REIMBURSEMENTS

Column (a) shows hypothetical moving expense reimbursements. Column (b) shows Federal moving expense deductions for employee and spouse filing a joint return and residing together at the end of the tax year (see footnote 5/, below). Column (c) shows the balance of the covered reimbursements in column (a) which have not been offset by moving expense deductions in column (b). Amounts shown are for illustration purposes only and should not be construed in any way to represent actual, average, or typical moving costs.

<u>Covered Allowances</u>	Amount Paid/ Reimbursed (a) 1/	Maximum Moving Exp. Deduction (b) 2/	Amount of Covered Taxable Reimbursements (c)=(a)-(b) 3/
1. Travel and transportation expenses between duty stations.	\$ <u>1,150</u> 4/	\$ <u>1,150</u> 4/	\$ <u>-0-</u> 4/
2. Transportation and 30 days temporary storage of household goods (HHG's).	\$ <u>5,100</u> 4/	\$ <u>5,100</u> 4/	\$ <u>-0-</u> 4/
3. Temporary storage of HHG's not included on line 2, and/or nontemporary storage (see (2-11.3c).	\$ <u>1,100</u>	\$ <u>-0-</u>	\$ <u>1,100</u>
4. Mobile home movement instead of HHG's.	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
5. Miscellaneous expense allowance.	\$ <u>700</u>	\$ <u>-0-</u>	\$ <u>700</u>
6. Househunting trip.	\$ <u>1,550</u>		
7. Temporary quarters, 30 days, new station.	\$ <u>2,550</u>		
8. Total lines 6 and 7.	\$ <u>4,100</u>		
9. Enter lesser of line 8 or \$1,500 as deductible amount in col. b; 5/		\$ <u>1,500</u>	
10. Enter balance of line 8 minus line 9.			\$ <u>2,600</u>
11. Temporary quarters in excess of line 7.	\$ <u>1,900</u>	\$ <u>-0-</u>	\$ <u>1,900</u>
12. Real estate transactions resulting from:			
(a) Sale expenses.	\$ <u>13,500</u>		
(b) Purchase expenses.	\$ <u>3,500</u>		
(c) Unexpired lease.	\$ <u>-0-</u>		
(d) Relocation services. 6/	\$ <u>-0-</u>		
13. Total of items (a) through (d), line 12.	\$ <u>17,000</u>		
14. Enter lesser of line 13 or \$3,000 less deductible amount used on line 9. 5/		\$ <u>1,500</u>	
15. Balance of line 13 minus line 14.			\$ <u>15,500</u>
16. Relocation services not included on line 12(d). 6/	\$ <u>-0-</u> 6/	\$ <u>-0-</u> 6/	\$ <u>-0-</u> 6/
17. Total column (a), (b), and (c).	\$ <u>31,050</u>	\$ <u>9,250</u> 7/	\$ <u>21,800</u> 8/
18. Total amount of WTA's paid in Year 1.	\$ <u>5,450</u> 9/		
19. Total lines 17 and 18, column (a).	\$ <u>36,500</u> 10/		

Figure 5-12a. EXAMPLE - COMPUTING COVERED TAXABLE REIMBURSEMENTS
(continued)

1/ Enter in column (a) the amounts of reimbursed expenses for the allowances listed in paragraph 5-1203.

2/ Enter in column (b) the maximum amounts of the reimbursed expenses in column (a) which are deductible moving expenses. (See par. 5-1208c(2); also, see footnote 4/.)

3/ Enter in column (c) the balance of column (a) minus column (b). (See par. 5-1208c,)

4/ The amount entered in column (b) for lines 1 and 2 should be the same as that entered in column (a). (See par. 5-1208c(2)(a).) Column (c) will be zero.

5/ Limits may vary according to filing status, etc. See page 5 of IRS Publication 521, Moving Expenses.

6/ In this example, relocation services were not used--employee declined the services. (See section 11 of chapter 5.) However, if relocation services were used, any amounts paid to the relocation service company that are determined to be income to the employee (See section 11 and pars. 5-1203i and 5-1204a) and covered by the RIT allowance would be entered on lines 12(d) and 16, column (a), as appropriate. In such cases, the amount shown in column (c) as a covered taxable reimbursement would depend on whether any part of the amount in column (a) is a moving expense deduction in column (b). All amounts included in column (a) may not be deductible and there are limitations as to what can be included as a covered reimbursement under paragraph 5-1203i.

7/ In this example, total moving expense deductions on line 17, column (b), equate to the amount shown on line 11 on IRS Form 3903 in Figure 5-12c. Amounts on those lines for an actual situation may not be the same because of relocation expenses incurred which are not paid for or reimbursed by the Government but which may be claimed as a moving expense deduction for Federal tax purposes, such as extra valuation insurance for household goods shipments.

8/ The amount on line 17, column (c), is the amount of covered taxable reimbursements to be used in the gross-up formula for the RIT allowance.

9/ Enter total amount of all WTA's paid in Year 1 on line 18, column (a) only. This amount is an estimated partial payment of the RIT allowance. It is not included in the amount of covered taxable reimbursements determined for calculation of the RIT allowance.

10/ In this example, the total amount shown on line 19, column (a), equates to the amount shown on line 7 on IRS Form 4782 in Figure 5-12b. Amounts on those lines for an actual situation may differ because of relocation allowances paid or reimbursed which are not covered by the RIT allowance. (See exclusions in par. 5-1204.)

Figure 5-12b. IRS FORM 4782, EMPLOYEE MOVING EXPENSE INFORMATION

Form 4782 <small>(Rev. August 1983) Department of the Treasury Internal Revenue Service</small>	Employee Moving Expense Information Payments made during the calendar year 19	<small>OMB No. 1545-0182</small> Do not file. Keep for your records.	
Name of employee J. M. Employee		Social security number 000 00 0000	
Moving Expense Payments			
Type of expense	a. Amount paid to employee	b. Amount paid to a third party for employee's benefit and value of services furnished in-kind	c. Total (Add columns a. and b.)
1 Transportation expenses in moving household goods and personal effects (including storage expenses for a foreign move)		(carrier payment) 6,200.00	6,200.00
2 Travel, meal, and lodging expenses in moving from old to new residence	1,150.00		1,150.00
3 Pre-move travel, meal, and lodging expenses in looking for a new residence after obtaining employment	870.00	(air carrier) 680.00	1,550.00
4 Temporary living expenses in new location or area during any 30 days in a row after obtaining employment (90 days in a row for a foreign move)	2,550.00		2,550.00
5 Qualified expenses of selling, buying, or leasing a residence	17,000.00		17,000.00
6 All other payments (specify) <u>Misc. Exp. Allowance</u>	700.00		700.00
<u>Temporary Qtrs. in excess of 30 days</u>	1,900.00		1,900.00
<u>Withholding Tax allowance</u>	5,450.00		5,450.00
7 Total moving expense payments. Add lines 1 through 6.			36,500.00

Figure 5-12c. IRS FORM 3903, MOVING EXPENSE ADJUSTMENT

Form 3903 Department of the Treasury Internal Revenue Service	Moving Expense Adjustment ▶ Attach to Form 1040.	OMB No 1545-0062 1984 62 Your social security number 000 00 0000
Name(s) as shown on Form 1040 J. M. Employee		
a What is the distance from your old residence to your new work place? <u>1500</u> miles		
b What is the distance from your old residence to your old work place? <u>20</u> miles		
c If the distance in a above is 35 or more miles farther than the distance in b above, complete the rest of this form. If the distance is less than 35 miles, you may not take a deduction for moving expenses. This rule does not apply to members of the armed forces.		
1	Transportation expenses in moving household goods and personal effects	1 5,100 00
2	Travel, meal, and lodging expenses in moving from old to new residence	2 1,150 00
3	Pre-move travel, meal, and lodging expenses in looking for a new residence after getting your job	3 1,550 00
4	Temporary living expenses in new location or area during any 30 days in a row after getting your job	4 2,550 00
5	Add lines 3 and 4	5 4,100 00
6	Enter the smaller of line 5 or \$1,500 (\$750 if married, filing a separate return, and, at the end of the tax year, you lived with your spouse who also started work during the tax year)	6 1,500 00
7	Expenses of (check one): a <input checked="" type="checkbox"/> selling or exchanging your old residence; or b <input type="checkbox"/> if renting, settling an unexpired lease on your old residence	7 13,500 00
8	Expenses of (check one): a <input checked="" type="checkbox"/> buying your new residence; or b <input type="checkbox"/> if renting, getting a lease on your new residence	8 3,500 00
9	Add lines 6, 7, and 8	9 18,500 00
10	Enter the smaller of line 9 or \$3,000 (\$1,500 if married, filing a separate return, and, at the end of the tax year, you lived with your spouse who also started work during the tax year)	10 3,000 00
Note: Use any amount on line 7a not deducted because of the \$3,000 (or \$1,500) limit to decrease the gain on the sale of your residence. Use any amount on line 8a not deducted because of the limit to increase the basis of your new residence. See No Double Benefit in the instructions.		
11	Add lines 1, 2, and 10. This is your moving expense deduction. Enter here and on Form 1040, line 24. ▶ Note: If your employer paid for any part of your move (including the value of any services furnished in kind), report that amount on Form 1040, line 7. See Reimbursements in the instructions.	11 9,250 00

Figure 5-12d. EXAMPLE - SUMMARY OF RIT ALLOWANCE PROCEDURES

Year 1: In 1986, the employee received \$31,050 in covered moving expense reimbursements. After subtracting \$9,250 of deductible moving expenses, \$21,800 of the reimbursements (nondeductible moving expenses) were subject to Federal tax withholding. (No State or local tax withholding in this case.) **This example assumes that all reimbursements were paid on one voucher.**

Apply WTA formula: $Y = \frac{X}{1-X} (N)$

where $Y = \text{WTA}$
 $X = \text{Federal withholding tax rate } (.20)$
 $N = \text{nondeductible moving expenses } (\$21,800)$

Then $Y = \frac{.20}{1-.20} (\$21,800)$
 $Y = \$5,450$

Compute net payment to employee in Year 1:

Total moving expense reimbursement in Year 1	\$31,050
Less deductible moving expenses	- 9,250
Nondeductible moving expenses subject to withholding	\$21,800
Plus WTA on \$21,800	+ 5,450
Amount subject to withholding	\$27,250
Less Federal tax withholding (\$27,250 X .20)	- 5,450
Balance after withholding	\$21,800
Plus deductible moving expenses	+ 9,250
Net payment in Year 1	\$31,050

Year 2: In 1987, the amount of the RIT allowance is determined on the basis of covered reimbursements in Year 1. Assume that \$21,800 of nondeductible moving expenses is the same as the covered taxable reimbursements. Also, assume that employee and spouse (married, filing jointly) have combined earned income of \$65,000. Thus, Federal marginal tax rates would be 38% for Year 1 and 35 % for Year 2 (determined from tables in appendix G). Also assume the applicable State and local marginal tax rates are 6% and 2%, respectively, of taxable income.

Apply CMTR formula for Year 1: $X = F + (1-F)S + (1-F)L$

where $X = \text{CMTR for Year 1}$
 $F = \text{Federal tax rate for Year 1 } (.38)$
 $S = \text{State tax rate for Year 1 } (.06)$
 $L = \text{local tax rate for Year 1 } (.02)$

Figure 5-12d. EXAMPLE - SUMMARY OF RIT ALLOWANCE PROCEDURES
(continued)

$$\begin{aligned}\text{Then } X &= .38 + (1-.38) \cdot .06 + (1-.38) \cdot .02 \\ X &= .38 + .0372 + .0124 \\ X &= .4296\end{aligned}$$

Apply CMTR formula for Year 2: $W = F + (1-F)S + (1-F)L$

where W = CMTR for Year 2
 F = Federal tax rate for Year 2 (.35)
 S = State tax rate for Year 1 (.06)
 L = local tax rate for Year 1 (.02)

$$\begin{aligned}\text{Then } W &= .35 + (1-.35) \cdot .06 + (1-.35) \cdot .02 \\ W &= .35 + .0390 + .0130 \\ W &= .4020\end{aligned}$$

Apply RIT gross-up formula: $Z = \frac{X}{1-W} (R) - \frac{1-X}{1-W} (Y)$

where Z = RIT allowance
 X = CMTR for Year 1 (.4296)
 W = CMTR for Year 2 (.4020)
 R = covered taxable reimbursements
for Year 1 (\$21,800)
 Y = WTA paid in year 1 (\$5,450)

$$\begin{aligned}\text{Then } Z &= \frac{.4296}{1-.4020} (\$21,800) - \frac{1-.4296}{1-.4020} (\$5,450) \\ Z &= .7184 (\$21,800) - .9538 (\$5,450) \\ Z &= \$15,661.12 - \$5,198.21 \\ Z &= \$10,462.91\end{aligned}$$

Compute net payment to employee in Year 2:

RIT allowance payable	\$10,462.91
Less Federal withholding tax	- 2,092.58
Less State and local withholding	- 0.00
Net amount paid to employee	\$ 8,370.33 <u>1/</u>

1/ If no WTA's had been paid in this example, the RIT allowance would be \$15,661.12. The Federal withholding tax would be \$3,132.22, leaving a net payment to the employee of \$12,528.90.